



\$57,690,000
MINNESOTA OFFICE OF HIGHER EDUCATION
SUPPLEMENTAL STUDENT LOAN
PROGRAM REVENUE BONDS
2020 SENIOR SERIES (AMT)

Supplement dated April 10, 2020 to
Official Statement dated February 13, 2020

Reference is made to the Official Statement, dated February 13, 2020 (the “Official Statement”), relating to \$57,690,000 aggregate principal amount of Minnesota Office of Higher Education, Supplemental Student Loan Program Revenue Bonds, 2020 Senior Series (the “Series 2020 Bonds”). Capitalized terms used but not defined herein are used as defined for purposes of the Official Statement.

COVID-19 (Coronavirus Disease 2019)

Since the date of the Official Statement, the federal government and a number of state and municipal governments have instituted a variety of emergency measures in response to the COVID-19 pandemic (the “COVID-19 Emergency”). Federal measures to date include, but are not limited to, direct financial aid to American families, temporary relief from certain tax requirements, the scheduled payment of federally owned education loans and certain other federal higher education aid requirements, payroll and operating expense support for small businesses and nonprofit entities, loan assistance for distressed industries and capital market support.

The full impact of the COVID-19 Emergency, and of directly and indirectly related developments, on the Issuer’s finances and operations, on the performance of SELF Loans, including Student Loans constituting security for Bonds, and on the security, market value and liquidity of Bonds cannot be predicted at this time. Such developments may include both economic and legal changes resulting from the COVID-19 Emergency, and may be of uncertain duration. The COVID-19 Emergency could adversely affect global, national, regional or local economies in a manner that might reduce the ability of certain Student Loan borrowers to make full and timely loan repayment. The number and aggregate principal balance of Student Loans for which repayment may be so affected by the COVID-19 Emergency is not known at this time, but may be significant. As a result, there may be a delay in, or reduction of, total Student Loan collections that might materially and adversely affect the ability of the Trust Estate to provide sufficient Revenues to fund interest and administrative costs and to amortize the outstanding Bonds, including the Series 2020 Bonds, as initially projected.

As of the date hereof, the Issuer is not aware of federal or state consumer lending law changes in response to the COVID-19 Emergency that it expects to materially and adversely affect its operation of the SELF Program. Any benefit programs related to COVID-19 that may be required by law or voluntarily implemented by the Issuer would be expected to result in a delay in the receipt of, or in a reduction of, the Revenues received from the Student Loans. The Issuer cannot accurately predict the number of Student Loan borrowers that would utilize any benefit program that requires borrower action. The greater the number of borrowers that utilize

any benefit program, the lower the total current loan receipts on Student Loans. If actual receipt of Student Loans Revenues or actual expenditures were to vary materially from those projected, the ability of the Trust Estate to provide sufficient Revenues to fund interest and administrative costs and to amortize the outstanding Bonds, including the Series 2020 Bonds, as initially projected might be adversely affected.

Event Notification Provided to the Rating Agency

Pursuant to rights reserved under the General Indenture, dated as of November 1, 2018 (as amended and supplemented, the “Indenture”), between the Office of Higher Education, also known as Minnesota Office of Higher Education (the “Issuer”), and U.S. Bank National Association, as trustee, on April 6, 2020, the Issuer provided the Event Notification copied below to S&P Global Ratings in order to implement the changes to the Issuer’s Student Loan Programs described therein and to provide the additional security for the holders of the Series 2020 Bonds described therein. The Issuer reserves the right to limit or discontinue the implementation of any of these changes or to otherwise change its forbearance policy at any time in accordance with the Indenture. The transfer of the amounts deposited to the Capitalized Interest Fund to the Revenue Fund on December 1, 2021 will not result in an Excess Revenue redemption of the Series 2020 Bonds in excess of the amount that would have been redeemed by such date had such additional amounts not been deposited to the Capitalized Interest Fund.

EVENT NOTIFICATION

Minnesota Office of Higher Education Supplemental Student Loan Program Revenue Bonds 2018 Senior Series and 2020 Senior Series

April 6, 2020

Section 4.9(d) of the First Supplemental Indenture, dated as of November 1, 2018 (the “First Supplemental Indenture”), between the Office of Higher Education, also known as Minnesota Office of Higher Education (the “Issuer”), and U.S. Bank National Association, as trustee (the “Trustee”), and Section 4.08(d) of the Second Supplemental Indenture, dated as of March 1, 2020 (the “Second Supplemental Indenture”), between the Issuer, and the Trustee, each of which amends and supplements the General Indenture, dated as of November 1, 2018 (the “General Indenture” and, as amended and supplemented, the “Indenture”), between the Issuer and the Trustee, provide that the Issuer may change certain requirements applicable to the Student Loans if the Issuer has satisfied the requirements of an Event Notification with respect to the proposed change or changes. In order to provide relief to Borrowers and Cosigners of Student Loans affected by the COVID-19 outbreak, the Issuer will be amending the Student Loan Program and the Student Loans to (a) provide that the interest rate on all Student Loans within the Trust Estate will bear interest for the limited period beginning not earlier than March 13, 2020 and continuing through September 30, 2020 at an interest rate equal to 0% per annum, (b) permit a special forbearance period (the “COVID-19 Forbearance Period”) allowing Borrowers or Cosigners on the Student Loans to request up to nine (9) months of forbearance, which COVID-19 Forbearance Period shall be in addition to the eight (8) months of forbearance

currently provided by the Student Loan Program (the “Current Forbearance Period”) and must be requested by the Borrower or Cosigner prior to September 30, 2020, (c) permitting a Borrower or a Cosigner to verbally request a COVID-19 Forbearance Period without requiring a written request from both the Borrower and any Cosigner, (d) permitting the Issuer to extend the term of a Borrower’s Student Loan for any Borrower or Cosigner who received a COVID-19 Forbearance Period by the length of the COVID-19 Forbearance Period, (e) permit the Issuer to capitalize any delinquent interest for a Borrower or Cosigner who requests a COVID-19 Forbearance Period as of the beginning of such COVID-19 Forbearance Period and to deem such Borrower or Cosigner to no longer be delinquent, (f) permit the Issuer to forgive a portion of any Student Loan taken out by a Borrower who withdrew from his/her Eligible Institution on or after March 13, 2020 in an amount equal to any disbursement on such Student Loan made to such Eligible Institution for the current education term for which the Borrower withdrew, with such forgiveness to not collectively exceed \$500,000, and (g) provide that any Borrower or Cosigner may obtain an additional three months of forbearance (an “Emergency/Natural Disaster Forbearance”) upon the declaration by the Governor of the State of Minnesota or the President of the United States of a State or National Emergency or Natural Disaster, other than with respect to the current COVID-19 outbreak, which Emergency/Natural Disaster Forbearance shall be in addition to any previously received Emergency/Natural Disaster Forbearance, COVID-19 Forbearance Period and Current Forbearance Period, upon a verbal request therefor without requiring a written request from both the Borrower and any Cosigner. In order to offset the costs of such relief programs and to provide additional security for the Bonds issued pursuant to the Indenture, the Issuer will be depositing an amount equal to at least \$4.1 million (or such greater amount as is necessary to maintain the ratings on the Bonds) to the Capitalized Interest Fund. Such amounts in the Capitalized Interest Fund shall be available to pay program Expenses and interest on the Bonds through December 1, 2021, when any unused amounts will be transferred to the Revenue Fund. In addition, the Issuer will no longer receive releases from the Revenue Fund unless the Issuer later satisfies the requirements of an Event Notification with respect to any such releases.

Pursuant to Section 13.2(b) of the General Indenture, the Issuer agrees to provide S&P Global Ratings with any information it may reasonably request in connection with this Event Notification, and the Issuer will provide written confirmation of this Event Notification to the Trustee.

All terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and State of Minnesota laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2020 Bonds is excludable from gross income for federal income tax purposes and is excludable, to the same extent, in computing both gross income and net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). However, in the opinion of Bond Counsel, interest on the Series 2020 Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and the Minnesota alternative minimum tax applicable to individuals, estates or trusts. For a more detailed description of such opinions of Bond Counsel, see "TAX MATTERS" herein.



\$57,690,000
MINNESOTA OFFICE OF HIGHER EDUCATION
SUPPLEMENTAL STUDENT LOAN
PROGRAM REVENUE BONDS
2020 SENIOR SERIES (AMT)

Dated: Date of Delivery

Due: November 1, as shown on the inside front cover

The Office of Higher Education (the "Minnesota Office of Higher Education" or the "Issuer") will issue its \$57,690,000 Supplemental Student Loan Program Revenue Bonds, 2020 Senior Series (the "Series 2020 Bonds") pursuant to a General Indenture, dated as of November 1, 2018 (as previously supplemented, the "General Indenture"), as further supplemented by a Second Supplemental Indenture, dated as of March 1, 2020 (the "Second Supplement," and together with the General Indenture, the "Indenture"), each between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). The Trustee will also serve as Paying Agent and Registrar for the Series 2020 Bonds.

The Series 2020 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or integral multiples thereof. Interest will be payable by the Trustee to the registered owners of the Series 2020 Bonds on each May 1 and November 1, commencing November 1, 2020. As originally issued, the Series 2020 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC is to act as securities depository for the Series 2020 Bonds. Individual purchases of the Series 2020 Bonds are to be made in Book-Entry Form only. Purchasers of the Series 2020 Bonds will not receive certificates representing their interest in Series 2020 Bonds purchased. So long as DTC is the registered owner of the Series 2020 Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2020 Bonds will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants. See "APPENDIX C—BOOK-ENTRY-ONLY SYSTEM" hereto.

The Series 2020 Bonds are being issued to provide the Issuer with moneys to refund certain outstanding Issuer bonds and thereby to: (a) Finance fixed-rate student loans Originated under the SELF V phase of the Issuer's SELF Program; and (b) fund the Debt Service Reserve Fund. The Series 2020 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2020 BONDS—Redemption Provisions" and "PLAN OF FINANCING" herein.

The Indenture provides for the issuance of multiple series and classes of bonds (collectively, the "Bonds") as described herein. The Series 2020 Bonds are the second series of Bonds to be issued by the Issuer under the Indenture, and constitute "senior bonds" under the Indenture. The Indenture permits the further issuance of additional Bonds payable on a parity with, or subordinate to, the Series 2020 Bonds. See "MINNESOTA OFFICE OF HIGHER EDUCATION—Financial Information—Prior Financing Activities" herein.

The Bonds, including the Series 2020 Bonds, are payable solely from the Student Loans, money and investments held by the Trustee under the Indenture. The Bonds, including the Series 2020 Bonds, may also benefit from amounts payable to the Issuer by the State of Minnesota (the "State") with respect to the Debt Service Reserve Fund or otherwise with respect to the Bonds, including the Series 2020 Bonds, pursuant to Minnesota Statutes Section 136A.1787, subject to and dependent upon annual appropriations by the legislature of the State for such purpose, as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT—Statutory Provisions Providing for Legislative Appropriations" herein. Such provision does not constitute a legally enforceable obligation on the part of the State or create a debt or liability on behalf of the State enforceable against the State.

THE BONDS, INCLUDING THE SERIES 2020 BONDS, ARE SPECIAL LIMITED, NOT GENERAL, OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS, INCLUDING THE SERIES 2020 BONDS, AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE EXTENT PROVIDED IN THE INDENTURE), OR GRANT TO THE OWNERS ANY RIGHT TO HAVE THE STATE LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON. THE BONDS, INCLUDING THE SERIES 2020 BONDS, ARE PAYABLE SOLELY FROM THE RENTALS, REVENUES, AND OTHER INCOME, CHARGES, AND MONEYS AS ARE PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE INDENTURE.

The Series 2020 Bonds are offered when, as and if issued and received by the underwriters identified below (the "Underwriters"), subject to prior sale and to the approval of legality by Kutak Rock LLP, Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is expected that the Series 2020 Bonds will be available for delivery at DTC on or about March 25, 2020.

BofA Securities

US Bancorp

MATURITY SCHEDULE

\$57,690,000

**Minnesota Office of Higher Education
Supplemental Student Loan Program Revenue Bonds
2020 Senior Series**

Serial Bonds

Maturity Date (November 1)	Principal Amounts	Interest Rate	Price	Yield	CUSIP^{©†}
2023	\$1,500,000	5.00%	113.234%	1.23%	60416MBM4
2024	1,600,000	5.00	116.516	1.29	60416MBN2
2025	2,900,000	5.00	119.561	1.36	60416MBP7
2026	2,900,000	5.00	122.336	1.44	60416MBQ5
2027	2,550,000	5.00	124.724	1.54	60416MBR3

Term Bonds

Maturity Date (November 1)	Principal Amounts	Interest Rate	Price	Yield	CUSIP^{©†}
2038	\$46,240,000	2.65%	100%	2.65%	60416MBS1

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† CUSIP data herein is provided by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Owners of the Series 2020 Bonds only at the time of issuance of the Series 2020 Bonds. No assurance can be given that the CUSIP numbers for the Series 2020 Bonds will remain the same after the date of issuance and delivery of the Series 2020 Bonds.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, sales representative or other person has been authorized by the Issuer or the Underwriters 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 the Issuer or the Underwriters. This Official Statement does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Underwriters to subscribe for or purchase, any of the Series 2020 Bonds in any circumstances or in any jurisdiction where such offer or invitation is unlawful. The distribution of this Official Statement and the offering of the Series 2020 Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Official Statement comes are required by the Issuer and the Underwriters to inform themselves about and to observe any such restrictions. This Official Statement has been prepared by the Issuer solely for use in connection with the proposed offering of the Series 2020 Bonds described herein.

The information set forth herein has been furnished by the Issuer and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and, except as to information as to itself, is not to be construed as a representation by, the Issuer. The information in this Official Statement concerning The Depository Trust Company, New York, New York (“DTC”), and DTC’s book-entry-only system contained under “THE SERIES 2020 BONDS—Book-Entry Form” herein has been obtained from DTC and the information herein concerning Nelnet Servicing, LLC contained under “LOAN SERVICING AND COLLECTIONS—Nelnet Servicing, LLC” herein has been obtained from Nelnet Servicing, LLC. None of the Issuer, any of its advisors or the Underwriters has independently verified, makes any representation regarding or accepts any responsibility for the accuracy, completeness or adequacy of such information. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy, fairness or completeness of the information set forth in this Official Statement or other offering materials.

Except as expressly provided herein, this Official Statement provides information relevant to the Series 2020 Bonds only as of the date hereof as shown on the cover page hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above or that the other information or opinions are correct as of any time subsequent to the date hereof. You should read this Official Statement and the documents that are referenced in this Official Statement completely and with the understanding that the Issuer’s actual future results may be materially different from what the Issuer expects.

References in this Official Statement to laws, rules, regulations, policies, 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.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING AND WEIGH THE MERITS AND RISKS INVOLVED WITH OWNERSHIP OF THE SERIES 2020 BONDS.

Prospective investors are not to construe the contents of this Official Statement, or any prior or subsequent communications from the Issuer, the Underwriters or any of their officers, employees or agents as investment, legal, accounting, regulatory or tax advice. Prior to any investment in the Series 2020 Bonds, a prospective investor should consult with its own advisors to determine the appropriateness and consequences of such an investment in relation to that investor’s specific circumstances.

Upon issuance, the Series 2020 Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor will the Indenture (as defined herein) have been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2020 Bonds and the security therefor, including an analysis of the risks involved. The Series 2020 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy, completeness or adequacy of this Official Statement or approved the Series 2020 Bonds for sale.

There currently is no secondary market for the Series 2020 Bonds. There are no assurances that any market will develop or, if it does develop, how long it will last. The Issuer does not intend to list the Series 2020 Bonds on any exchange, including any exchange in either Europe or the United States.

The Series 2020 Bonds are being offered subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to the approval of certain legal matters by counsel and certain other conditions. No Series 2020 Bonds may be sold without delivery of this Official Statement.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2020 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

This Official Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “intend,” “potential,” and the negative of such terms or other similar expressions. The forward-looking statements reflect the Issuer’s current expectations and views about future events, which are subject to change at any time. The forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Issuer’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Issuer reserves the right to not update the forward-looking statements, even though the Issuer’s situation may change in the future, except to the extent that the Issuer has obligations under the federal securities laws to update and disclose material developments related to previously disclosed information. All of the forward-looking statements are qualified by these cautionary statements. Given these risks and uncertainties, you should not place undue reliance on the forward-looking statements. See “SECURITY AND SOURCE OF PAYMENT” and “INVESTMENT CONSIDERATIONS” herein.

TABLE OF CONTENTS

	Page
SUMMARY STATEMENT	vi
INTRODUCTORY STATEMENT	1
THE SERIES 2020 BONDS	2
General	2
Places of Payment	3
Exchange and Transfer of Series 2020 Bonds.....	3
Redemption Provisions.....	4
SECURITY AND SOURCE OF PAYMENT	7
Limited Obligations.....	7
Statutory Provisions Providing for Legislative Appropriations	7
Anticipated Sufficiency of Revenues	8
Pledged Funds	9
Financial Covenants	15
Owner Consent to Certain Actions Under Indenture.....	16
PLAN OF FINANCING	16
INVESTMENT CONSIDERATIONS	16
Limited Obligations of the Issuer	17
The Obligations of the Trustee and the Servicer are Limited.....	17
Statutory Provisions Providing for Legislative Appropriations	17
Financial Condition of the Issuer	18
Enforceability of Remedies	19
Early Redemption of the Series 2020 Bonds.....	19
Redemption of the Series 2020 Bonds May Create Reinvestment Risks	20
Additional Bonds.....	20
Issuance of Additional Bonds May Affect Excess Revenue Redemption.....	20
Risk of Non-Origination.....	20
Lack of Liquidity.....	21
Market Disruptions.....	21
Certain Amendments to the Indenture and Other Actions Upon an Event Notification or Consent of Fewer Than All Owners.....	21
The Rating of the Series 2020 Bonds is Not a Recommendation to Purchase; Rating May Change	22
There is the Potential for Conflicts of Interest and Regulatory Scrutiny with Respect to a Rating Agency Rating the Series 2020 Bonds	22
Risks Relating to Book-Entry Registration	23
Sufficiency and Timing of Receipt of Revenues.....	23
General Economic Conditions.....	24
The Student Loans Are Unsecured and Do Not Have the Benefit of a Guarantee.....	24
Geographic Concentration of Student Loans.....	24
The Composition and Characteristics of the Student Loans Will Change Over Time.....	25
Limited Performance History for the Student Loans; Performance of Student Loans May Differ from Historical Performance of Previous SELF Loans.....	25
Defaults and Delinquencies on the Student Loans	26
There Will Be No Market Valuation of the Student Loans	26
Dependence on Third-Party Servicer	26
Prepayment of Student Loans.....	27
Possibility of Reduced Payments from Borrowers Called to Active Military Service.....	27
Student Loans May Be Forgiven upon the Death or Permanent Disability of the Borrower	27

TABLE OF CONTENTS
(continued)

	Page
Competition May Reduce Demand or Increase Prepayments on Student Loans	28
Competition from Variable-Rate SELF V Loans	28
Consumer Protection Lending Laws	28
Dodd-Frank Act.....	29
Consumer Protection Lending Laws and Regulations Could Change.....	30
Changes in Relevant Laws	31
MINNESOTA OFFICE OF HIGHER EDUCATION	31
Description of the Issuer.....	31
History	32
The Issuer’s Management Team	33
Financial Information	34
STUDENT LOAN PROGRAM	36
SELF Loans Overview	36
SELF V Terms and Conditions	37
SELF Refi Program Terms and Conditions.....	41
Historical FICO Scores for SELF Loans.....	42
Delinquency Experience for SELF I through SELF IV and SELF V Loans.....	42
Historical Loss Experience for SELF Loans	45
THE STUDENT LOANS	47
LOAN SERVICING AND COLLECTIONS	51
Servicer.....	51
Nelnet Servicing, LLC	52
Nelnet Servicing Agreement	52
Issuer’s Default Collection Procedures	53
TAX MATTERS.....	54
General Matters	54
Original Issue Premium.....	54
Backup Withholding.....	55
Changes in Federal Tax Law	55
UNDERWRITING	55
MUNICIPAL ADVISOR.....	56
LITIGATION.....	57
RATING	57
LEGAL MATTERS.....	57
Continuing Disclosure	57
Availability of Other Issuer Information	57
Legal Opinions	58
 APPENDIX A FINANCIAL STATEMENTS OF THE MINNESOTA OFFICE OF HIGHER EDUCATION AS OF AND FOR THE YEAR ENDED JUNE 30, 2019.....	 A-1
APPENDIX B DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE.....	B-1
APPENDIX C BOOK-ENTRY ONLY SYSTEM.....	C-1
APPENDIX D FORM OF BOND COUNSEL OPINION	D-1

TABLE OF CONTENTS
(continued)

	Page
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT	E-1
APPENDIX F WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 BONDS MATURING NOVEMBER 1, 2038	F-1

SUMMARY STATEMENT

The following information is furnished solely to provide limited introductory information regarding the Series 2020 Bonds and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All capitalized terms used herein that are not otherwise defined shall have the meanings ascribed thereto in the Indenture and as described in “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—CERTAIN DEFINITIONS” hereto.

Issuer	The Office of Higher Education (the “Minnesota Office of Higher Education” or the “Issuer”), an executive branch agency of the State of Minnesota (the “State”).
Series 2020 Bonds.....	\$57,690,000 Supplemental Student Loan Program Revenue Bonds, 2020 Senior Series (the “Series 2020 Bonds”).
Interest Payments.....	Interest on the Series 2020 Bonds is payable on May 1 and November 1, commencing November 1, 2020. Such interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.
Security and Source of Repayment	<p>The Series 2020 Bonds, as well as any other Bonds issued under the Indenture, are payable solely from and secured by the Issuer’s pledge to the Trustee under the Indenture of: (a) all Student Loans, and all documentation thereof, whether in tangible or intangible form, including all agreements, notes (whether manually or electronically signed) and all other documents or electronic records evidencing such Student Loans or extensions and renewals thereof; (b) all general intangibles, payment intangibles, or electronic chattel paper related to the Student Loans; (c) all proceeds of the Bonds, Revenues and any other amounts at any time contained in the Funds and Accounts, excluding the Rebate Fund and Excess Interest Fund, until their use or release from the Funds and Accounts (such Bond proceeds, Revenues and other amounts may take the form of moneys, securities, accounts, chattel paper, instruments, and general intangibles); (d) all State Debt Service Reserve Fund Payments and State Shortfall Payments (if appropriated by the State as described below); (e) the rights of the Issuer in and to each Servicing Agreement solely as it relates to Student Loans; (f) any and all other real or personal property of every name and nature, by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred by the Issuer or by anyone on its behalf or with its prior written consent, to the Trustee as and for additional security under the Indenture; and (g) all proceeds of the foregoing (collectively, the “Trust Estate”).</p>

The Bonds, including the Series 2020 Bonds, may also benefit from amounts payable to the Issuer by the State with respect to the Debt Service Reserve Fund or otherwise with respect to the Bonds, including the Series 2020 Bonds, pursuant to Minnesota Statutes Section 136A.1787, subject to and dependent upon annual

appropriations by the legislature of the State for such purpose, as more fully described herein. See “SECURITY AND SOURCE OF PAYMENT—Statutory Provisions Providing for Legislative Appropriations” herein. Such provision does not constitute a legally enforceable obligation on the part of the State or create a debt or liability on behalf of the State enforceable against the State.

Use of Bond Proceeds..... The Series 2020 Bond proceeds are to be applied to refund certain outstanding Issuer bonds and thereby to: (a) Finance approximately \$19.0 million of fixed-rate student loans Originated under the SELF V phase of the Issuer’s SELF Program (“SELF V Loans”) that are expected to be available in the Issuer’s Loan Capital Fund on the date of issuance, including approximately \$5.0 million originated on and after October 1, 2019 that will be Pre-funded Loans subject to the limitations described under the caption “SECURITY AND SOURCE OF PAYMENT—Financial Covenants—Limitation on Student Loans” herein; (b) Finance approximately \$38.6 million of additional fixed-rate SELF V Loans during the Loan Origination Period; and (c) fund the Debt Service Reserve Fund. The Loan Origination Period will expire on June 30, 2021, subject to extension thereafter upon satisfaction of the requirements of an Event Notification with respect to such extension. See “STUDENT LOAN PROGRAM” herein.

In addition, on the date of issuance of the Series 2020 Bonds, the Issuer will deposit, or cause to be deposited, SELF V Loans and cash sufficient to cause the initial Class I Bonds Parity Ratio to be not less than 132.5% upon completion of the initial application of Series 2020 Bond proceeds and to pay the underwriting fee and all associated costs of issuance. See “SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Surplus Fund*” and “PLAN OF FINANCING” herein.

Debt Service Reserve Fund A Debt Service Reserve Fund for the Bonds, including the Series 2020 Bonds, has been established under the Indenture. The Indenture requires that the Debt Service Reserve Fund be funded in an amount equivalent to the aggregate amount of the separate Debt Service Reserve Requirements then required pursuant to each Supplemental Indenture authorizing the issuance of a Series of Bonds. On the date of issuance of the Series 2020 Bonds, the balance of the Debt Service Reserve Fund shall be the sum of: (i) \$1,090,700, which is equivalent to the current Debt Service Reserve Requirement applicable to the Issuer’s Supplemental Student Loan Program Revenue Bonds, 2018 Senior Series (the “Series 2018 Bonds”); and (ii) the Debt Service Reserve Requirement with respect to the Series 2020 Bonds, which shall initially be equal to, as of any date of calculation, the greater of (a) 2.0% of the Outstanding principal amount of Series 2020 Bonds or (b) \$572,250, which is approximately 1.0% of the initial principal amount of the Series 2020 Bonds. The Indenture permits the Debt Service Reserve Requirements to be reduced. See “SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Debt Service Reserve Fund*” and “PLAN

OF FINANCING” herein and “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE” hereto.

- Redemption.....** The Series 2020 Bonds maturing November 1, 2038 are subject to sinking fund redemption, at a Redemption Price of 100% of principal, without premium, plus, accrued interest, if any, to the redemption date, as described herein. All Series 2020 Bonds are subject to redemption, at a Redemption Price of 100% of principal, plus accrued interest to the date of redemption, plus, in the case of the redemption of Series 2020 Premium Bonds, the Unamortized Premium with respect to such Series 2020 Premium Bonds, from certain unexpended and uncommitted amounts remaining in the Series 2020 Account of the Acquisition Fund, if any, as of the end of the Loan Origination Period. Series 2020 Bonds maturing on November 1, 2038 are also subject to special optional redemption and special mandatory redemption, in each case at a Redemption Price of 100% of principal, without premium, plus accrued interest to the date of redemption, from certain Excess Revenues available therefor under the Indenture allocable to the Series 2020 Bonds as described herein. Series 2020 Bonds maturing on November 1, 2038 are also subject to optional redemption on any date on and after November 1, 2027 at a Redemption Price of 100% of principal, without premium, plus accrued interest to the date of redemption. See “THE SERIES 2020 BONDS—Redemption Provisions” herein.
- Additional Bonds.....** The Indenture provides for the issuance of multiple series and classes of bonds (collectively, the “Bonds”) as described herein. Bonds may be issued as Class I Bonds or “senior bonds” (the “Senior Bonds”) or as Class II Bonds or “subordinate bonds” (the “Subordinate Bonds”) pursuant to the Indenture. The Senior Bonds have certain payment and other priorities over the Subordinate Bonds, as more further described herein. The Series 2020 Bonds are the second series of Bonds to be issued by the Issuer under the Indenture and constitute Class I Bonds or Senior Bonds under the Indenture. \$54,535,000 of previously issued Senior Bonds and no Subordinate Bonds are currently outstanding. Any additional Bonds may Finance student loans originated under any Student Loan Program operated by the Issuer; however, the issuance of such additional Bonds requires the Issuer to satisfy the requirements of an Event Notification. See “MINNESOTA OFFICE OF HIGHER EDUCATION—Financial Information—*Prior Financing Activities*” and “STUDENT LOAN PROGRAM” herein.
- Special Limited Obligations ...** THE BONDS, INCLUDING THE SERIES 2020 BONDS, ARE SPECIAL LIMITED, NOT GENERAL, OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS, INCLUDING THE SERIES 2020 BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE EXTENT PROVIDED IN THE INDENTURE), OR GRANT TO THE OWNERS ANY RIGHT TO HAVE THE STATE LEVY ANY TAXES OR APPROPRIATE ANY

FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON. THE BONDS, INCLUDING THE SERIES 2020 BONDS, ARE PAYABLE SOLELY FROM THE RENTALS, REVENUES, AND OTHER INCOME, CHARGES, AND MONEYS AS ARE PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE INDENTURE. See “SECURITY AND SOURCE OF PAYMENT” herein.

Rating..... The Series 2020 Bonds are expected to be rated “AA(sf)” by S&P Global Ratings (“S&P”). Such rating reflects only the view of S&P and an explanation of the significance of such rating can only be obtained from S&P. See “RATING” herein.

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OFFICIAL STATEMENT

\$57,690,000

MINNESOTA OFFICE OF HIGHER EDUCATION SUPPLEMENTAL STUDENT LOAN PROGRAM REVENUE BONDS 2020 SENIOR SERIES

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, sets forth certain information concerning the \$57,690,000 Supplemental Student Loan Program Revenue Bonds, 2020 Senior Series (the “Series 2020 Bonds”) to be issued by the Office of Higher Education (the “Minnesota Office of Higher Education” or the “Issuer”). The Series 2020 Bonds will be issued pursuant to a General Indenture, dated as of November 1, 2018 (as previously supplemented, the “General Indenture”), as further supplemented by a Second Supplemental Indenture, dated as of March 1, 2020 (the “Second Supplement,” and together with the General Indenture, the “Indenture”), each between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”), and in accordance with the provisions of Minnesota Statutes, Sections 136A.15 to 136A.1787, as amended (the “Act”). The Indenture provides for the issuance of multiple series and classes of bonds (collectively, the “Bonds”) as described herein. Bonds may be issued as Class I Bonds or “senior bonds” (the “Senior Bonds”) or as Class II or “subordinate bonds” (the “Subordinate Bonds”) pursuant to the Indenture. The Senior Bonds have certain payment and other priorities over the Subordinate Bonds, as further described herein.

The principal amount of Bonds that may be issued under the Indenture is not limited. The Series 2020 Bonds are the second series of Bonds to be issued by the Issuer under the Indenture and constitute Class I Bonds or Senior Bonds under the Indenture. \$54,535,000 of previously issued Senior Bonds and no Subordinate Bonds are currently Outstanding. Additional Bonds may hereafter be issued under the Indenture on a parity with, or subordinate to, the Series 2020 Bonds. The Act limits the aggregate amount of revenue bonds of the Issuer, whether issued under the Indenture or other trust indentures, that may be outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, to \$850,000,000. See “SECURITY AND SOURCE OF PAYMENT” and “MINNESOTA OFFICE OF HIGHER EDUCATION — Financial Information — *Prior Financing Activities*” herein.

The Issuer expects to use the proceeds of the sale of the Series 2020 Bonds to refund certain outstanding Issuer bonds and thereby to: (a) Finance approximately \$19.0 million of fixed-rate student loans Originated under the SELF V phase of the Issuer’s SELF Program (“Fixed-Rate SELF V Loans” and, along with variable-rate student loans Originated under the SELF V Phase of the SELF Program, referred to herein as “Variable-Rate SELF V Loans,” “SELF V Loans”) that are expected to be available in the Issuer’s Loan Capital Fund on the date of issuance, including approximately \$5.0 million originated on and after October 1, 2019; that will be Pre-funded Loans subject to the limitations described under the caption “SECURITY AND SOURCE OF PAYMENT—Financial Covenants—Limitation on Student Loans” herein; (b) Finance approximately \$38.6 million of Fixed-Rate SELF V Loans during the Loan Origination Period; and (c) fund the Debt Service Reserve Fund. The Loan Origination Period will expire on June 30, 2021, subject to extension thereafter upon satisfaction of the requirements of an Event Notification with respect to such extension. See “PLAN OF FINANCING” and “STUDENT LOAN PROGRAM” herein.

In addition, on the date of issuance of the Series 2020 Bonds, the Issuer will deposit, or cause to be deposited, SELF V Loans and cash, from sources other than Series 2020 Bond sale proceeds, in an amount sufficient to cause the initial Class I Bonds Parity Ratio to be not less than 132.5% upon completion of the initial application of Series 2020 Bond proceeds and other funds to pay the underwriting fee and all

associated costs of issuance. See “SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Surplus Fund*” and “PLAN OF FINANCING” herein.

The Student Loans currently pledged to the Trust Estate and the Student Loans to be Originated with amounts to be deposited in the Series 2020 Account of the Acquisition Fund in connection with the issuance of the Series 2020 Bonds and the Student Loans to be initially pledged to the Trust Estate by the Issuer in connection with such issuance will be Fixed-Rate SELF V Loans originated by the Issuer that require a Cosigner. In addition, the SELF Program currently offers borrowers Variable-Rate SELF V Loans that will not be Financed from or pledged to the Trust Estate by the Issuer in connection with the issuance of the Series 2020 Bonds, but may be Financed with proceeds of additional Bonds or pledged to the Trust Estate by the Issuer in the future. The Student Loans are not insured or guaranteed. Any additional Bonds may Finance student loans Originated under any supplemental student loan program operated by the Issuer (the “Student Loan Program” and the loans Originated with proceeds of Bonds, including the SELF V Loans Originated in connection with the issuance of the Series 2020 Bonds, or otherwise pledged to the Trust Estate, the “Student Loans”); however, the issuance of such additional Bonds requires the Issuer to satisfy the requirements of an Event Notification. The Revenues held in the Revenue Fund derived from repayments of Student Loans held in the Student Loan Fund, amounts on deposit in the Debt Service Reserve Fund, the Revenue Fund, the Acquisition Fund, the Capitalized Interest Fund, the Redemption Fund, and the Surplus Fund, and the investment income on these Funds are pledged to the payment of the Series 2020 Bonds and all other Bonds issued under the Indenture. See “STUDENT LOAN PROGRAM” herein.

The Bonds, including the Series 2020 Bonds, are special, limited obligations of the Issuer payable solely from the Student Loans, money and other investments held by the Trustee and pledged by the Issuer as part of the Trust Estate pursuant to the Indenture.

This Official Statement and the Appendices hereto contain descriptions of, among other matters, the Series 2020 Bonds, the Issuer, the SELF V phase of the SELF Program, the SELF Refi Program and the Indenture. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the documents referred to above are qualified in their entirety by reference to such documents, and references herein to the Series 2020 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of such documents and other documents described herein will be available for inspection upon request to the Trustee.

All capitalized terms used herein that are not otherwise defined shall have the meanings ascribed thereto in the Indenture and as described in “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—CERTAIN DEFINITIONS” hereto.

THE SERIES 2020 BONDS

General

The Series 2020 Bonds are to be dated the date of issuance and will bear interest from their dated date. Interest will be payable on May 1 and November 1 of each year, commencing November 1, 2020, to the Owners of the Series 2020 Bonds as of the Record Date, which is the April 15 or October 15 immediately preceding each Interest Payment Date. The Series 2020 Bonds will bear interest at the interest rates per annum, and will mature on November 1 in each of the years and in the principal amounts shown on the inside front cover of this Official Statement. Such interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. In any case where the date fixed for the payment of principal of or interest on the Series 2020 Bonds shall not be a Business Day, then payment of such principal

or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for the payment thereof.

The Series 2020 Bonds are to be issued in fully registered form, without coupons, and when issued are to be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series 2020 Bonds. Individual purchases of the Series 2020 Bonds will be made in Book-Entry Form only in the principal amount of Authorized Denominations. Purchasers of the Series 2020 Bonds will not receive certificates representing their interests in the Series 2020 Bonds purchased. See “APPENDIX C—BOOK-ENTRY-ONLY SYSTEM” hereto.

Places of Payment

So long as Cede & Co. is the Owner of the Series 2020 Bonds, all payments of principal of and interest on the Series 2020 Bonds are to be made to Cede & Co. as nominee for DTC. Such payments are to be remitted by DTC to its Direct Participants for subsequent disbursements to the Beneficial Owners as defined in “APPENDIX C—BOOK-ENTRY-ONLY SYSTEM” hereto.

The principal of all Series 2020 Bonds shall be payable at the designated office of the Trustee upon presentation and surrender of the Series 2020 Bonds, and payment of the interest on each Series 2020 Bond shall be made on each Interest Payment Date by the Trustee to the Person appearing on the registration records of the Issuer as the registered owner thereof (the “Owner”), except as otherwise described in “APPENDIX C—BOOK-ENTRY-ONLY SYSTEM” hereto, by wire transfer in immediately available funds, and if such wire transfer information is unavailable, by check or draft mailed on the Interest Payment Date to the Owner at such Owner’s address as it appears on such registration records at the close of business on the respective Record Date for such Interest Payment Date.

Exchange and Transfer of Series 2020 Bonds

At the option of the Owner, Series 2020 Bonds may be exchanged at the designated office of the Trustee for a like aggregate principal amount of fully registered Series 2020 Bonds of the same Series, Class, interest rate and Stated Maturity in Authorized Denominations. Upon surrender for transfer of any Series 2020 Bond at the designated office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or its attorney duly authorized in writing, a new Series 2020 Bond or Series 2020 Bonds of the same interest rate and of like Series, Class and aggregate principal amount of the same Stated Maturity are to be delivered in the name of the transferee or transferees.

The Trustee shall require the payment by any Owner requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Trustee shall not be required to transfer or exchange any Series 2020 Bond during the period of fifteen days next preceding the giving of notice of redemption. After the giving of such notice of redemption, the Trustee shall not be required to transfer or exchange any Series 2020 Bond, which Series 2020 Bond or portion thereof has been called for redemption.

Notwithstanding the above, it should be understood that while the Series 2020 Bonds are in the book-entry system, (a) all rights of ownership must be exercised through DTC and the book-entry system, and (b) notices that are to be given to Owners by the Issuer or the Trustee will be given only to DTC. See “APPENDIX C—BOOK-ENTRY-ONLY SYSTEM” hereto.

Redemption Provisions

The Indenture sets forth the provisions for the acceleration of the Series 2020 Bonds and for the redemption of certain of the Series 2020 Bonds prior to maturity, as described below. The Issuer may elect to redeem such Series 2020 Bonds, as described below, upon notice to the Trustee of the Redemption Date, principal amounts, Series, Class and maturities of such Series 2020 Bonds to be redeemed, and the source of moneys to be applied to the payment of the Redemption Price. In the event that the Series 2020 Bonds of any Series, Class or maturity are to be redeemed in part, they are to be redeemed only in multiples of then Authorized Denominations, and are to be selected by lot or such other manner as the Trustee shall determine in accordance with the Indenture.

Optional Redemption. The Series 2020 Bonds maturing on and prior to November 1, 2027 are not subject to optional redemption prior to maturity. The Series 2020 Bonds maturing on November 1, 2038 are subject to redemption prior to maturity at the option of the Issuer, in whole or in part from any source, in such amounts as the Issuer may direct, on any date on or after November 1, 2027 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the Redemption Date.

Special Optional Redemption from Excess Revenues. The Series 2020 Bonds maturing on November 1, 2038 are subject to optional redemption prior to their Stated Maturity, in whole or in part, on each Interest Payment Date that is a Potential Special Optional Excess Revenues Redemption Date, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the Redemption Date, in such amounts as the Issuer may direct; provided that such Series 2020 Bonds may only be redeemed from Excess Revenues derived from Student Loans Financed with proceeds of the Series 2020 Bonds or Student Loans pledged to the Trust Estate in connection with the issuance of the Series 2020 Bonds. See “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—CERTAIN DEFINITIONS” and “APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 BONDS MATURING NOVEMBER 1, 2038” hereto.

“Potential Special Optional Excess Revenues Redemption Date” means each Interest Payment Date (a) which occurs during any Recycling Period, or (b)(i) on which the Class I Bonds Parity Ratio exceeds 132.0% (or such lesser percentage as to which the requirements of an Event Notification have been satisfied as to such lower percentage) and (ii)(A) the Value of (I) all Student Loans and (II) all cash and Investment Securities in the Funds and Accounts (excluding the Rebate Fund, the Excess Interest Fund and amounts irrevocably set aside to pay particular Bonds under Article XII of the General Indenture) exceeds (B) the Outstanding principal amount of the Bonds and accrued interest thereon, plus accrued and unpaid Program Expenses, together with any required late fees or interest thereon, plus \$15,000,000 (or such lesser amount as to which the requirements of an Event Notification have been satisfied). Upon completion of the initial application of the proceeds of the Series 2020 Bonds on the date of issuance of the Series 2020 Bonds, the Class I Bonds Parity Ratio will not be less than 132.5%. See “SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Surplus Fund*” herein.

“*Excess Revenues*” means, as of the second-to-last Business Day of each March and September, any funds transferred on each Monthly Deposit Date occurring prior to each such date to the Surplus Fund in accordance with the General Indenture and remaining in the Surplus Fund, after taking into account amounts necessary (a) if such Interest Payment Date is also a Principal Payment Date, to pay the principal and interest due and payable on the Bonds on such Interest Payment Date; (b) if such Interest Payment Date is not a Principal Payment Date, to pay the interest due and payable on the Bonds on such Interest Payment Date and one-half of the principal due and payable on the next succeeding Principal Payment Date; and (c) to make all other payments or transfers required to be made from the Revenue Fund on the next Monthly

Deposit Date under clauses (a) through (h) of the second paragraph under “SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Revenue Fund*” herein (determined without respect to any special redemption of Bonds from Excess Revenues permitted under the applicable Supplemental Indenture) and from the Surplus Fund under clauses (a) and (b) set forth under “SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Surplus Fund*” herein, on or prior to such Interest Payment Date.

Sinking Fund Redemption. The Series 2020 Bonds maturing on November 1, 2038 (the “Series 2020 Term Bonds”) are subject to sinking fund redemption and shall be redeemed at par plus accrued interest on the dates and in the principal amounts as follows:

<u>Due November 1</u>	<u>Amount</u>
2028	\$4,000,000
2029	4,000,000
2030	4,090,000
2031	3,285,000
2032	3,285,000
2033	3,175,000
2034	3,175,000
2035	3,590,000
2036	4,245,000
2037	4,245,000
2038 [†]	9,150,000

[†]Stated Maturity.

Each such payment is referred to as a “Sinking Fund Payment” and the due date for each Sinking Fund Payment is referred to as a “Sinking Fund Payment Date.” The amounts which would otherwise be available for a Sinking Fund Payment on the Series 2020 Term Bonds may be applied, prior to notice of sinking fund redemption, to the purchase for cancellation of Series 2020 Term Bonds subject to such sinking fund redemption at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of Series 2020 Term Bonds scheduled to be redeemed on the immediately succeeding Sinking Fund Payment Date will be reduced by the principal amount of Series 2020 Term Bonds so purchased.

Any retirement of Series 2020 Term Bonds, other than by redemption pursuant to these provisions or purchase and delivery by the Issuer to the Trustee for cancellation, shall result in the reduction of the remaining Sinking Fund Payments of the Series 2020 Term Bonds in reverse order of Sinking Fund Payment Dates.

Mandatory Redemption Resulting from Non-Origination. The Series 2020 Bonds are subject to redemption prior to their Stated Maturity, in whole or in part, on any date, at a Redemption Price equal to the principal amount thereof being redeemed, plus (a) accrued interest, if any, to the Redemption Date; and (b) in the case of the redemption of Series 2020 Premium Bonds, the Unamortized Premium with respect to such Series 2020 Premium Bonds, from amounts initially available to Finance Student Loans upon issuance of the Series 2020 Bonds remaining in the Series 2020 Account of the Acquisition Fund at the expiration of the Loan Origination Period and not committed to make Student Loans that have been approved on or prior to such date. The Loan Origination Period starts on the date of issuance of the Series

2020 Bonds and ends on June 30, 2021; provided that this period may be further extended thereafter upon satisfaction of the requirements of an Event Notification with respect to such extension.

“Series 2020 Premium Bonds” are those Series 2020 Bonds with an offering price in excess of 100%, as set forth in the inside front cover of this Official Statement. “Unamortized Premium” means, with respect to a Series 2020 Premium Bond, the unamortized portion of the amount by which the offering price of such Series 2020 Premium Bond, as set forth in the inside front cover of this Official Statement, exceeded 100%. The methodology applied by the Issuer to calculate the unamortized portion of such amount for a given Series 2020 Premium Bond will use the yield of such Series 2020 Premium Bond, as stated on the inside front cover of this Official Statement, to calculate a price based on the Redemption Date, semiannual compounding, and a 360-day year consisting of twelve 30-day months. The excess of the calculated price over 100% will be the unamortized portion.

Special Mandatory Redemption from Excess Revenues. The Series 2020 Bonds maturing on November 1, 2038 are subject to mandatory redemption prior to their Stated Maturity, in whole or in part, on each Interest Payment Date that is not a Potential Special Optional Excess Revenues Redemption Date, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the Redemption Date, from all Excess Revenues which do not constitute Excess Coverage derived from Student Loans Financed with proceeds of the Series 2020 Bonds or Student Loans pledged to the Trust Estate in connection with the issuance of the Series 2020 Bonds. Any such redemption of Series 2020 Term Bonds is to be credited against Sinking Fund Payments applicable to such Stated Maturity as described under “—*Sinking Fund Redemption*” herein and “APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 BONDS MATURING NOVEMBER 1, 2038” hereto.

Notice and Effect of Redemption. On the date designated for redemption by notice as provided under the Indenture, the Series 2020 Bonds so called for redemption shall become due and payable at the stated Redemption Price and, to the extent moneys are available therefor, interest shall cease to accrue on such Series 2020 Bonds and such Series 2020 Bonds shall no longer be entitled to any benefit or security under the Indenture. Notice is to be given not less than 30 nor more than 60 days prior to the date fixed for redemption.

If at the time of mailing of any notice of optional redemption there are not on deposit with the Trustee moneys sufficient to redeem all the Series 2020 Bonds called for redemption, such notice will state that such redemption is conditioned upon receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the Redemption Price on the Series 2020 Bonds to be redeemed and that if such moneys have not been so received by the redemption date, said notice will be of no force and effect and the Issuer will not be required to redeem such Series 2020 Bonds. In the event that such moneys are not so received by the redemption date, such Series 2020 Bonds will not be redeemed and the Trustee will within a reasonable time thereafter give notice, one time, in the same manner in which the notice of redemption was given, that such moneys were not so received.

Acceleration. Upon any declaration of acceleration of the Bonds, including the Series 2020 Bonds, after an Event of Default under the Indenture, the principal and the accrued interest on such Bonds, including the Series 2020 Bonds, through the date of acceleration shall, without further action, become and be immediately due and payable.

Selection of Series 2020 Bonds to be Redeemed. Moneys available for any redemption of the Series 2020 Bonds are required to be applied to the redemption of Series 2020 Bonds as follows: Series 2020 Bonds will be selected by the Trustee pro rata from each Stated Maturity of Series 2020 Bonds based upon the principal balance of such Stated Maturity and the principal balance of all other Stated Maturities,

or in such other manner as the Issuer may direct by Issuer Order; provided, that the Issuer has submitted a Cash Flow Projection to the Trustee demonstrating that such other manner of selection will not adversely affect the Issuer's ability to pay Debt Service on the Outstanding Bonds, including the Series 2020 Bonds, or (to the extent the Issuer fails to pay Program Expenses from other available sources) Program Expenses, or to make the required deposits to the credit of the Rebate Fund and the Excess Interest Fund.

Except as may be provided in a Supplemental Indenture for a Series, other than the Series 2020 Bonds, Subordinate Bonds, or Class II Bonds, shall not be redeemed or subject to redemption if the Class I Bonds Parity Ratio is less than 132.0% (or such lesser percentage as to which the requirements of an Event Notification have been satisfied).

Subject to DTC procedures relating to redemption of bonds, if less than all of a Stated Maturity of the Series 2020 Bonds is to be redeemed, the Trustee shall select the portions thereof to be redeemed by lot or by such other method deemed fair and reasonable by the Trustee.

SECURITY AND SOURCE OF PAYMENT

Limited Obligations

The Bonds, including the Series 2020 Bonds, are special limited, not general, obligations of the Issuer payable solely from the Student Loans, money, and investments held by the Trustee, and pledged by the Issuer as part of the Trust Estate pursuant to the Indenture, subject to the application thereof to the purposes and on the conditions specified in the Indenture. The Bonds, including the Series 2020 Bonds, and the interest thereon do not represent or constitute a debt or pledge of the faith and credit of the State of Minnesota (the "State") or any agency or political subdivision thereof (except the Issuer, to the extent provided in the Indenture), or grant to the Owners any right to have the State levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon. The Bonds are payable solely from the rentals, revenues, and other income, charges, and moneys as are pledged for their payment in accordance with the Indenture. The Bonds do not constitute or give rise to a pecuniary liability of the State or any agency or political subdivision thereof, other than the Issuer. Neither the Issuer nor the State shall be obligated to pay the principal of or interest on the Bonds, including the Series 2020 Bonds, except from the Issuer's moneys and funds pledged to the Trust Estate under the Indenture. Neither the faith nor credit nor the taxing power of the State or any agency or political subdivision thereof (including the Issuer) is pledged to the payment of the principal of or the interest on the Bonds, including the Series 2020 Bonds. The Issuer has no taxing power.

Statutory Provisions Providing for Legislative Appropriations

The State in 2009 enacted the following statute creating a moral obligation on the part of the State specifically related to the financing of the Issuer's SELF Loans and the issuance of bonds by the Issuer:

136A.1787 SELF LOAN REVENUE BONDS ANNUAL CERTIFICATE OF NEED.

(a) In order to ensure the payment of the principal of and interest on bonds and notes of the office and the continued maintenance of the loan capital fund under section 136A.1785, the office shall annually determine and certify to the governor, on or before December 1, the amount, if any:

(1) needed to restore the loan capital fund to the minimum amount required by a resolution or indenture relating to any bonds or notes of the office,

not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding;

(2) determined by the office to be needed in the immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all outstanding bonds and notes; and

(3) needed to restore any debt service reserve fund securing any outstanding bonds or notes of the office to the amount required in a resolution or indenture relating to such outstanding bonds or notes.

(b) If the office determines that need under paragraph (a), clause (2), to be for the immediately following fiscal year, the governor shall include and submit the amounts certified by the office in accordance with this section to the legislature in the governor's budget for the following fiscal year, or in a governor's budget for the immediately following fiscal year. If the office determines that need under paragraph (a), clause (1), (2) or (3), to be for the current fiscal year, the governor shall include and submit the amounts certified in the governor's supplemental budget if the regular budget for that year has previously been enacted.

The Issuer each year calculates its need for amounts pursuant to clauses (a)(2) and (3) above with respect to the Bonds, including the Series 2020 Bonds, prior to December 1 in each year. Its need for amounts under clause (a)(2) will be determined based on its projections with respect to the sufficiency of the revenues and other amounts available under the General Indenture and all Supplemental Indentures to pay all principal and interest due and payable on all outstanding Bonds, including the Series 2020 Bonds, during the fiscal year beginning the following July 1. Its need for amounts under clause (a)(3) will be determined based on any deficiency in the amount required to be on deposit in the Debt Service Reserve Fund as of such December 1. The State's fiscal year starts on July 1 of a given calendar year, and ends on June 30 of the following year. The State legislature adopts a budget for each fiscal year of a biennium (consisting of each two-year period commencing on July 1 of odd-numbered years), generally in May of the fiscal year preceding the start of such biennium. If the Issuer delivers a certificate to the Governor prior to December 1 in the year preceding commencement of a biennium, the Governor is obligated to include the Issuer's needed amount with respect to the Bonds, including the Series 2020 Bonds, in the budget for the fiscal year starting the following July 1. The legislature, if it determines to provide funds for this purpose, will appropriate the amounts in the budget for such fiscal year. If the Issuer delivers a certificate prior to December 1 in the year preceding the second year of a biennium, the Governor is to include the Issuer's needed amount with respect to the Bonds, including the Series 2020 Bonds, in a supplemental budget for the fiscal year starting the following July 1. The legislature, if it determines to provide funds for this purpose, will appropriate the amounts in the supplemental budget for such fiscal year. Section 136A.1787 does not constitute a legally enforceable obligation on the part of the State nor does it create a debt or liability of the State. In addition, even though an appropriation has been made to the Issuer, the Commissioner of Minnesota Management and Budget, with the approval of the Governor, has the ability under Minnesota law to reduce any portion, or all, of such appropriation that has not been paid to the Issuer under circumstances where the State anticipates a budget deficit. See "INVESTMENT CONSIDERATIONS—Statutory Provisions Providing for Legislative Appropriations" herein.

Anticipated Sufficiency of Revenues

The Issuer expects that the Revenues to be derived from the Student Loans and other amounts on deposit under the Indenture should be sufficient to pay the principal of and interest on the Bonds, including

the Series 2020 Bonds, when due. This expectation is based upon an analysis of Cash Flow Projections, using assumptions which the Issuer believes are reasonable, regarding (a) the characteristics and expected performance of the Student Loans pledged to the Student Loan Fund, the payments on which are to be deposited to the Revenue Fund, (b) amounts to be deposited in the Debt Service Reserve Fund and the Capitalized Interest Fund, (c) investment earnings on amounts on deposit in the Funds and Accounts under the Indenture (excluding the Rebate Fund and the Excess Interest Fund), and (d) the amount and timing of Program Expenses (the “Cash Flow Projections”). It is the intent and past practice of the Issuer to pay Program Expenses from funds not held under the Indenture. The assumptions regarding expected performance of the Student Loans are derived from the Issuer’s experience in the administration of its historical phases of its Student Loan Program. See “INVESTMENT CONSIDERATIONS—Sufficiency and Timing of Receipt of Revenues” herein.

Under the Indenture, Program Expenses are required to be paid prior to the payment of principal of or interest on the Bonds, including the Series 2020 Bonds. See “—Pledged Funds—*Revenue Fund*” herein. Such Program Expenses consist of (a) the fees and expenses of the Servicer, the Trustee and any other Indenture Agent, together with any required late fees or interest thereon; and (b) expenses incurred for the Issuer’s maintenance and operation of the Student Loan Program as a direct consequence of the Indenture, the Bonds, including the Series 2020 Bonds, or the Student Loans pledged to the Trust Estate by the Issuer under the Indenture, including the reasonable fees and expenses of attorneys, agents, financial advisors, municipal advisors, consultants, accountants, Rebate Analysts and other professionals, attributable to such maintenance and operation. The Cash Flow Projections performed in connection with the issuance of the Series 2020 Bonds demonstrate that funds expected to be available under the Indenture should be sufficient to pay both these Program Expenses (in the amounts and timing assumed in the Cash Flow Projections) and the principal of and interest on the Series 2020 Bonds; however, provisions of the Second Supplement restrict payment of Program Expenses from moneys in the Trust Estate to those assumed in the Cash Flow Projections delivered to the Trustee on the date of issuance of the Series 2020 Bonds, or updated Cash Flow Projections if the requirements of an Event Notification have been satisfied with respect to any such excess. See “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—The Second Supplement—*Limitation on Program Expenses Paid from Revenue Fund*” hereto.

Pledged Funds

The Bonds, including the Series 2020 Bonds, are secured by the Issuer’s pledge to the Trustee under the Indenture of: (a) all Student Loans, and all documentation thereof, whether in tangible or intangible form, including all agreements, notes (whether manually or electronically signed) and all other documents or electronic records evidencing such Student Loans or extensions and renewals thereof; (b) all general intangibles, payment intangibles, or electronic chattel paper related to the Student Loans; (c) all proceeds of the Bonds, Revenues and any other amounts at any time contained in the Funds and Accounts, excluding the Rebate Fund and Excess Interest Fund, until their use or release from the Funds and Accounts (such Bond proceeds, Revenues and other amounts may take the form of moneys, securities, accounts, chattel paper, instruments, and general intangibles); (d) all State Debt Service Reserve Fund Payments and State Shortfall Payments; (e) the rights of the Issuer in and to each Servicing Agreement solely as it relates to Student Loans; (f) any and all other real or personal property of every name and nature, by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred by the Issuer or by anyone on its behalf or with its prior written consent, to the Trustee as and for additional security under the Indenture; and (g) all proceeds of the foregoing (collectively, the “Trust Estate”). See “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE” hereto.

Revenue Fund. The Revenue Fund receives (i) the Revenues, (ii) amounts described in any Supplemental Indenture, (iii) any amounts specified to be transferred thereto from another Fund and (iv) any other amounts required to be deposited therein by Issuer Order.

On each Monthly Deposit Date, money in the Revenue Fund is required to be applied according to the terms of the Indenture in the following order of priority, to pay or deposit:

(a) amounts specified in an Issuer Order necessary, if any, to maintain the Rebate Fund and the Excess Interest Fund at their respective required levels;

(b) any unpaid Program Expenses (subject to the limitations described in “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—The Second Supplement—*Limitation on Program Expenses Paid from Revenue Fund*” hereto, as well as any other limitations contained in a subsequent Supplemental Indenture), and, except as provided in the succeeding paragraph, if funds are not sufficient, pro rata on the basis of Program Expenses then owed, unless the Issuer has notified the Trustee that it has paid Program Expenses from a source of funds outside the Trust Estate;

(c) interest payable on each Series of Senior Bonds (or Class I Bonds) during the related Monthly Period, and thereafter to increase the balance in the Accounts in the Revenue Fund in respect of interest due and payable on each Series of Senior Bonds on the next applicable Interest Payment Date;

(d) principal due and payable on each Series of Senior Bonds at Stated Maturity or on a Sinking Fund Payment Date (other than a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds) on each Series of Senior Bonds during the related Monthly Period, and thereafter, to increase the balance in the Accounts in the Revenue Fund in respect of principal due and payable at Stated Maturity or on a Sinking Fund Payment Date (other than a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds) on each Series of Senior Bonds on the next applicable Principal Payment Date;

(e) interest payable on each Series of Subordinate Bonds (or Class II Bonds) during the related Monthly Period, and, if the amount available is not sufficient to pay in full the interest then due, then to the payment thereof ratably, according to the aggregate amount of interest due on such date, and thereafter to increase the balance in the Accounts in the Revenue Fund in respect of interest due and payable on each Series of Subordinate Bonds on the next applicable Interest Payment Date;

(f) principal due and payable on each Series of Subordinate Bonds at Stated Maturity or on a Sinking Fund Payment Date (other than a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds) on each Series of Subordinate Bonds during the related Monthly Period, and, if the amount available is not sufficient to pay in full the principal then due, then to the payment thereof ratably, according to the aggregate amount of principal due on such date, and thereafter, to increase the balance in the Accounts in the Revenue Fund in respect of principal due and payable at Stated Maturity or on a Sinking Fund Payment Date (other than a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds) on each Series of Subordinate Bonds on the next applicable Principal Payment Date;

(g) in the Debt Service Reserve Fund, any amount necessary to maintain the Debt Service Reserve Fund balance in an amount equivalent to the aggregate amount of the Debt Service Reserve Requirements applicable to all Series;

(h) other than with respect to the Series 2020 Bonds, (A) all other principal payable on each Series of Bonds (other than Cumulative Sinking Fund Term Bonds, and with Senior Bonds paid prior to Subordinate Bonds) during the related Monthly Period as provided in a Supplemental Indenture and (B) with respect to Cumulative Sinking Fund Term Bonds, to increase the balance in the Revenue Fund in respect of all other principal due and payable on each Series of Cumulative Sinking Fund Term Bonds (with Senior Bonds paid prior to Subordinate Bonds) on the next Principal Payment Date;

(i) provided the full amount of any principal payments due on each Series of Outstanding Bonds on the next succeeding Principal Payment Date for each such Series are on deposit in the applicable Accounts in the Revenue Fund, the remainder to the credit of the Surplus Fund.

In the event amounts are payable to more than one Person under any of the preceding clauses, and the moneys available are insufficient to pay all amounts payable, the available moneys are required to be applied pro rata to the payment to each Person based upon the amount payable thereto, except that any amounts due and payable to the Trustee as Program Expenses will be paid prior to payment to any other Person and prior to any proration of payments. In addition, cash and investment securities on deposit in accounts established for the Subordinate Bonds are available to pay the payment requirements on the Senior Bonds.

The Issuer may elect to create two or more Accounts in the Revenue Fund and the Surplus Fund; each for the deposit of Revenues allocable to a Series (or portion thereof), as determined by the Issuer. The creation of Accounts is for administrative purposes only and all Bonds of the same Class shall be paid on a parity basis. If the Issuer makes such an election, the Trustee shall pay Debt Service on the Bonds of that Series or portion thereof from that Series' Account and, to the extent possible, shall pay expenses attributable to that Series from that Series' Account. Notwithstanding the foregoing, in the event there are insufficient funds in an Account for a particular Series in the Revenue Fund and the Surplus Fund to pay any amount then due (other than amounts allocable to the Origination of Student Loans and Sinking Fund Payments on Cumulative Sinking Fund Term Bonds), and the Issuer has not paid the deficiency from funds not held under the Indenture, the Trustee will make such payment from Accounts in the Revenue Fund or the Surplus Fund for another Series, to the extent there are sufficient moneys to do so after satisfying all amounts required to be paid (without regard to Accounts) prior to the amount due, in the order established above and under "*—Surplus Fund*" herein.

For purposes of clauses (c) and (e) above, interest on Bonds shall be accounted for as follows:

- (i) to the extent an Interest Payment Date occurs during the related Monthly Period, an amount equal to the interest due on such Interest Payment Date will be applied to the payment of such interest when due By Class In Descending Priority; provided that, to the extent provided in the applicable Supplemental Indenture, amounts may be drawn from an Account established for a Class of Bonds in the Capitalized Interest Fund and applied to the payment of such interest on such Class when due; and
- (ii) to the extent interest will accrue but not be payable during the related Monthly Period, an amount equal to all accrued interest, By Class In Descending Priority, through the end of such Monthly Period will be retained in the Revenue Fund; provided that, to the extent provided in the applicable Supplemental Indenture, amounts may be drawn from an Account established for a Class of Bonds in the Capitalized Interest Fund and applied to the payment of such interest on such Class when due.

For purposes of clauses (d), (f) and (h) above, the principal amount of Bonds due at the Stated Maturity thereof or on a Sinking Fund Payment Date therefor shall be accounted for as follows:

- (i) to the extent a Principal Payment Date occurs during the related Monthly Period, an amount equal to the principal due on such Principal Payment Date will be applied to the payment of such principal when due By Class In Descending Priority; and
- (ii) to the extent principal is not payable during the related Monthly Period, but will be payable on a Principal Payment Date occurring during a Monthly Period commencing within 12 months of the related Monthly Period, an amount will be retained in the Revenue Fund, By Class In Descending Priority, as of each Monthly Deposit Date:
 - (A) in the case of principal due at Stated Maturity or on a Sinking Fund Payment Date other than Sinking Fund Payment Dates of Cumulative Sinking Fund Term Bonds, equal to 1/12th of such principal for each of the 12 Monthly Deposit Dates occurring prior to the Principal Payment Date on which such principal is payable; and
 - (B) in the case of principal due on a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds, equal to 1/11th of such principal for each of the 11 Monthly Deposit Dates occurring prior to the Monthly Period preceding the Monthly Period in which such principal is payable.

Capitalized Interest Fund. There are no amounts presently on deposit in the Capitalized Interest Fund, and no amounts will be deposited to the Capitalized Interest Fund upon the issuance of the Series 2020 Bonds.

Debt Service Reserve Fund. The General Indenture provides that the Debt Service Reserve Fund shall be funded in an amount equivalent to the aggregate amount of the Debt Service Reserve Requirements then required pursuant to each Supplemental Indenture authorizing the issuance of a Series of Bonds. On the date of issuance of the Series 2020 Bonds, the balance of the Debt Service Reserve Fund shall be \$2,244,500, which is equivalent to the sum of (x) the Debt Service Reserve Requirement that is currently applicable to the Issuer's Supplemental Student Loan Program Revenue Bonds, 2018 Senior Series (the "Series 2018 Bonds") of \$1,090,700, and (y) an additional amount equal to the Debt Service Reserve Requirement that is currently applicable to the Series 2020 Bonds, that the Issuer will direct the Trustee to deposit into the Debt Service Reserve Fund. The Debt Service Reserve Requirement applicable to the Series 2020 Bonds is equal to, as of any date of calculation, the greater of (a) 2.0% of the Outstanding principal amount of Series 2020 Bonds or (b) \$572,250, which is approximately 1.0% of the initial principal amount of the Series 2020 Bonds; provided, however, that such Debt Service Reserve Requirements may be reduced if the Issuer has satisfied the requirements of an Event Notification. Debt Service Reserve Requirements established upon issuance of any Additional Bonds may differ from those applicable to the Series 2018 Bonds and the Series 2020 Bonds, and Debt Service Reserve Requirements applicable to other Series of Bonds may be reduced if so provided by, and in accordance with, the respectively applicable Supplemental Indenture. See "PLAN OF FINANCING" herein.

Amounts in the Debt Service Reserve Fund will be invested in Investment Securities. See "APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—Definitions" hereto.

Amounts held in the Debt Service Reserve Fund are required to be applied as necessary to make up on a Bond Payment Date any deficiency in the amounts on deposit in the Revenue Fund to pay Bond

principal or interest and the other purposes listed as clauses (a) through (f) under “—*Revenue Fund*” herein, but only after application of moneys from, in order, the Revenue Fund, the Surplus Fund, the Capitalized Interest Fund, and the Acquisition Fund. To the extent moneys on deposit in the Debt Service Reserve Fund exceed the aggregate amount of the Debt Service Reserve Requirements (other than as a result of a State Debt Service Reserve Fund Payment), as required under a Supplemental Indenture, the Issuer may by Issuer Order direct the Trustee to transfer the excess to the Revenue Fund. To the extent moneys on deposit in the Debt Service Reserve Fund exceed aggregate amount of the Debt Service Reserve Requirements as a result of a State Debt Service Reserve Fund Payment, the Issuer may by Issuer Order direct the Trustee to transfer an amount equal to such excess (excluding any portion of the State Debt Service Reserve Fund Payment) to the Revenue Fund. The Debt Service Reserve Fund may also be used to pay final installments of principal of and interest on the Bonds, including the Series 2020 Bonds. On or before the fifth Business Day prior to each Interest Payment Date (or any other date at the Issuer’s request), the Trustee shall value the Debt Service Reserve Fund to determine whether the Debt Service Reserve Requirements have been satisfied and shortfalls shall be replenished from amounts on deposit in the Revenue Fund as described under “—*Revenue Fund*” herein, from the Surplus Fund, or from State Debt Service Reserve Fund Payments received by the Trustee. See “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE” hereto.

If, as of December 1 in any year, the balance in the Debt Service Reserve Fund is less than or projected to be less than the aggregate amount of the Debt Service Reserve Requirements, the Issuer is required to take the measures described under “—Statutory Provisions Providing for Legislative Appropriations” herein.

Acquisition Fund. On the date of issuance of the Series 2020 Bonds, after making the deposit described above to the Debt Service Reserve Fund, amounts to be transferred to the Trust Estate in connection with the issuance of the Series 2020 Bonds will be deposited to the Series 2020 Account of the Acquisition Fund. See “PLAN OF FINANCING” herein. Such moneys are expected to be used throughout the Loan Origination Period to Finance Student Loans. Additionally, except as set forth in any Supplemental Indenture and in accordance with an Issuer Order, the Trustee is required to apply the moneys in the Acquisition Fund By Class In Descending Priority, to the extent of any deficiency after applying the moneys in the Revenue Fund, the Surplus Fund and (to the extent provided in a Supplemental Indenture) the Capitalized Interest Fund, to the same uses as set forth under “—*Revenue Fund*” herein.

Student Loan Fund. All Student Loans transferred to the Trustee by the Issuer, including those Financed from amounts to be deposited in the Series 2020 Account of the Acquisition Fund in connection with the issuance of the Series 2020 Bonds or any Revenues under the Indenture, will be deposited to the related accounts of the Student Loan Fund. In addition, on the date of issuance of the Series 2020 Bonds, the Issuer will deposit SELF V Loans with an aggregate principal amount of approximately \$34.8 million to the 2020 Account of the Student Loan Fund. The Student Loan Fund shall hold only Student Loans and no other assets of any kind whatsoever. See “PLAN OF FINANCING” herein.

Surplus Fund. The Trustee will in accordance with an Issuer Order, other than transfers described under “—*Revenue Fund*” herein, deposit in the Surplus Fund all amounts required to be transferred thereto from the Revenue Fund and, except as directed in a Supplemental Indenture, all amounts transferred from any other trust estate of the Issuer. The moneys in the Surplus Fund shall be invested in Investment Securities (as defined in the Indenture). Any earnings on or income from such investments shall be transferred to the Revenue Fund. The Trustee shall use the moneys in the Surplus Fund for the following purposes in the following order of priority, as described in the Indenture and in accordance with an Issuer Order:

(a) to make deposits to the Excess Interest Fund and the Rebate Fund to the extent required;

(b) to the extent there is a required transfer from the Revenue Fund and the moneys therein are not sufficient therefor, the moneys in the Surplus Fund shall be utilized to satisfy such deficiency;

(c) to make deposits to the Redemption Fund as specified in an Issuer Order to meet the mandatory redemption requirements required by and provided in any applicable Supplemental Indenture (other than (A) principal due at Stated Maturity or on a Sinking Fund Payment Date and (B) a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds);

(d) to the extent such moneys constitute Excess Coverage:

(i) to payment of amounts due to the Trustee (including any unpaid fees, expenses and indemnities) that are not Program Expenses, to the extent such amount has not been paid from available funds of the Issuer not held under the Indenture;

(ii) to payment of any other unpaid Program Expenses; and if funds are not sufficient, pro rata on the basis of Program Expenses then owed, to the extent such amounts have not been paid from available funds of the Issuer not held under the Indenture;

(iii) to pay any amounts payable by the Issuer to the Underwriters pursuant to the indemnification provisions of the related Bond Purchase Agreement;

(e) to Finance Student Loans, subject to certain restrictions contained in the Indenture; provided that under the Second Supplement, moneys from the Series 2020 Account of the Surplus Fund can only be used to Finance Student Loans during any Recycling Period, which may be established by the Issuer upon satisfaction of the requirements of an Event Notification; provided that any such Recycling Period may be extended thereafter upon satisfaction of the requirements of an Event Notification with respect to such extension;

(f) to make deposits to the Redemption Fund for the optional redemption of Bonds as specified in an Issuer Order or as required by and as provided in any applicable Supplemental Indenture; and

(g) to transfer money to the Issuer if permitted as described below.

Not later than either March 15 or September 15 in each year while Bonds are Outstanding, the Issuer may deliver to the Trustee an Issuer Order demonstrating that there is Excess Coverage on deposit under the Indenture and specifying the amount thereof in the Surplus Fund. The Trustee in accordance with such Issuer Order shall thereupon release such amount from the Surplus Fund to the Issuer for any of the Issuer's governmental purposes after the payment of any amounts described in clauses (a) through (f) above from the Surplus Fund. "Excess Coverage" is the amount, expressed in dollars, by which (a) the Value of (i) all Student Loans plus (ii) all cash and Investment Securities held in the Funds and Accounts (except for the Rebate Fund and the Excess Interest Fund and amounts irrevocably set aside to pay particular Bonds), exceeds (b) 132.0% (or such lesser percentage as to which the requirements of an Event Notification have been satisfied) of the sum of (i) the principal and accrued interest on all Outstanding Class I Bonds, including the Series 2020 Bonds, plus (ii) accrued and unpaid Program Expenses, together with any required late fees or interest thereon; provided, that, (A) the Value of (I) all Student Loans and (II) all cash and Investment Securities in the Funds and Accounts (excluding the Rebate Fund, the Excess Interest Fund

and amounts irrevocably set aside to pay particular Bonds under Article XII) exceeds (B) the principal amount of Outstanding Bonds and accrued interest thereon, plus accrued and unpaid Program Expenses, together with any required late fees or interest thereon, by at least \$15.0 million (or such lesser amount as to which the requirements of an Event Notification have been satisfied).

Order of Use of Amounts in Funds for Payment of Bonds. Except as set forth in any Supplemental Indenture, in the event there is on any Bond Payment Date a deficiency in the amounts to be applied to the payment of Debt Service on the Bonds, the Trustee will make up such deficiency By Class In Descending Priority by transfer of moneys for that purpose from the named Funds, in the following order of priority and pursuant to an Issuer Order: Revenue Fund, Surplus Fund, Capitalized Interest Fund (to the extent provided in a Supplemental Indenture), Acquisition Fund, Debt Service Reserve Fund and Redemption Fund (solely with respect to Bonds for which notice of payment or redemption of Bonds has not been given).

Financial Covenants

The Issuer will covenant that so long as Bonds, including the Series 2020 Bonds, shall remain Outstanding the Issuer will comply with the following:

Tangible Net Worth. So long as the Bonds shall remain Outstanding, the Issuer will not permit its Tangible Net Worth less any loans to the State to be less than the following designated amounts on and after the corresponding designated dates; provided that failure to comply with this covenant shall not be an Event of Default unless the Issuer has withdrawn money from its Loan Capital Fund for a purpose other than to pay Program Expenses or expenses related to the administration of student loans made by the Issuer, to originate loans under the Student Loan Program, to repurchase defaulted student loans held under an Issuer indenture or for any other purpose authorized under Section 136A.1785 of the Act:

<u>June 30</u>	<u>Tangible Net Worth</u>
2019	\$625,000,000
2020 and thereafter	\$650,000,000

For purposes of this provision, “Tangible Net Worth” means, as of any date of determination, the aggregate net worth of the Issuer’s Loan Capital Fund determined in accordance with GAAP, less the book value of all assets of the Loan Capital Fund that are treated as intangibles under GAAP.

Limitation on Student Loans. The Issuer will use moneys in the Series 2020 Account of the Acquisition Fund and moneys in the Series 2020 Account of the Surplus Fund to Finance Pre-funded Loans subject to the following limits:

- (a) not more than 2% may consist of Student Loans to Borrowers attending Proprietary Schools, the Cosigner of which has a FICO Score of less than 670 (including Cosigners with no FICO Score);
- (b) not more than 5% may consist of Student Loans to Borrowers attending Proprietary Schools;
- (c) not more than 1% may consist of Student Loans to Borrowers, the Cosigner of which has no FICO Score;

(d) not more than 17% may consist of Student Loans to Borrowers attending Non-Proprietary Schools, the Cosigner of which has a FICO Score of less than 670; and

(e) at least 40% must consist of Student Loans to Borrowers attending Non-Proprietary Schools, the Cosigner of which has a FICO Score of at least 740.

Compliance with all concentration limits will be tested at the end of the Loan Origination Period, using the following calculation: the sum of the Original Principal Balance of Pre-funded Loans Originated within each applicable category, divided by the aggregate Original Principal Balance of Pre-funded Loans outstanding.

Owner Consent to Certain Actions Under Indenture

Whenever in this Official Statement the requirements of an Event Notification must be satisfied with respect to any proposed action, failure to act or other event, the written consent of the Majority Owners of affected Bonds to any proposed action, failure to act or other event is required, to the extent that such Bonds no longer carry a rating from a Rating Agency.

PLAN OF FINANCING

All of the proceeds of the Series 2020 Bonds are to be applied on the date of issuance of the Series 2020 Bonds to fund, along with other amounts available therefor, the principal payment on April 1, 2020 of \$60,000,000 of the Issuer's outstanding Supplemental Student Loan Program Variable-Rate Revenue Bonds, 2012 Series B-2 maturing August 1, 2047 in accordance with the trust indenture securing such bonds, resulting in the transfer on the date of issuance of \$60,000,000 from such trust indenture to the Indenture. In addition, on the date of issuance of the Series 2020 Bonds, the Issuer: (i) will transfer SELF V Loans with an aggregate principal amount of approximately \$19.0 million to the Student Loan Fund upon transfer to the Issuer of approximately \$19.0 million; and (ii) will transfer additional SELF V Loans with an aggregate principal amount of approximately \$15.8 million to the Student Loan Fund as an equity deposit. All costs of issuance, including the fees and certain expenses of the Underwriters, the Municipal Advisor, the Trustee, the Rating Agency, Bond Counsel and other miscellaneous costs, will be paid by the Issuer from sources other than Series 2020 Bond sale proceeds.

The following table sets forth the expected sources and uses of the proceeds of the Series 2020 Bonds reflecting the completion of the transfers described in the first sentence of the preceding paragraph:

Sources of Funds:

Principal Amount of Series 2020 Bonds	\$57,690,000
Net Premium	<u>2,308,241</u>
Total	<u>\$59,998,241</u>

Use of Funds:

Deposit to Series 2020 Account of the Acquisition Fund	\$58,844,441
Deposit to Series 2020 Account of the Debt Service Reserve Fund	<u>1,153,800</u>
Total	<u>\$59,998,241</u>

INVESTMENT CONSIDERATIONS

This Official Statement, including all Appendices hereto, should be read in its entirety for an understanding of the security for and the risks that may be associated with ownership of the Series 2020 Bonds. There follows under this heading a brief summary of certain factors that may be of particular

significance to an investor in making an investment decision with respect to the Series 2020 Bonds. Such factors are not intended to be a complete list of all factors which may be material to such a decision. Additional considerations relating to an investment in the Series 2020 Bonds are described throughout this Official Statement, whether or not specifically designated as such. There can be no assurance that other considerations will not become material in the future.

Limited Obligations of the Issuer

The Bonds, including the Series 2020 Bonds, are special, limited obligations of the Issuer payable solely from the Student Loans, money and investments held by the Trustee, and pledged by the Issuer, as part of the Trust Estate pursuant to the Indenture. The Bonds, including the Series 2020 Bonds, and interest thereon do not constitute or give rise to a pecuniary liability of the State or any agency (other than the Issuer, to the extent provided in the Indenture) or political subdivision thereof. Neither the faith nor credit nor the taxing power of the State or any agency or political subdivision of the State (including the Issuer) is pledged to the payment of the principal of or the interest on the Bonds, including the Series 2020 Bonds. The Issuer has no taxing power.

No assurance can be given that sufficient Revenues will be derived from the Student Loans, or any other moneys or investments held under the Indenture which are part of the Trust Estate and available for such purpose, to make payments of the principal of and interest on the Bonds, including the Series 2020 Bonds. The Student Loans held under the Indenture are not subject to acceleration of principal in the event of any such deficiency. See “SECURITY AND SOURCE OF PAYMENT — Anticipated Sufficiency of Revenues” herein.

The Obligations of the Trustee and the Servicer are Limited

The duties, actions and obligations of each of the Trustee and the Servicer are limited to such duties, actions and obligations specifically set forth in the transaction documents, and no implied covenants, duties or obligations are read into the transaction documents. Neither the Trustee nor the Servicer has any duty or obligation to take any additional action unless specifically directed to take such action and satisfactorily indemnified therefor and subject to the terms of the transaction documents. Additionally, certain of the duties and obligations of such parties are dependent upon receipt of information from other parties. Any failure of one party to timely and accurately deliver any information, or perform its duties and obligations, could prevent another party from being able to fulfill its duties and obligations.

Statutory Provisions Providing for Legislative Appropriations

Section 136A.1787 of the Act provides for a specific budgetary procedure with respect to bonds and notes issued by the Issuer, under which the Issuer is required to annually determine and certify to the Governor of the State on or before December 1, the amount, if any, (a) needed to restore the Issuer’s Loan Capital Fund to the minimum amount required by its bond and note documentation, not to exceed the maximum amount of principal and interest to become due and payable in any subsequent year on all outstanding bonds and notes of the Issuer; (b) determined by the Issuer to be needed in the current or immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, to pay principal and interest due and payable in that year on all outstanding bonds and notes of the Issuer; and (c) needed to restore any debt service reserve fund securing any outstanding bonds or notes of the Issuer as required by its bond and note documentation. The Governor is required to include and submit all such certified amounts to the State legislature in the Governor’s budget for the following fiscal year, or in the Governor’s supplemental budget if the regular budget has previously been approved.

These provisions of the Act would permit the Issuer to ask the State for amounts sufficient to (a) cure any deficiency in the Debt Service Reserve Fund as of December 1 in a given year, and (b) cover any expected shortfall in the moneys available to pay principal and interest on outstanding Issuer bonds and notes, including the Bonds, in the following fiscal year. These amounts, if appropriated by the legislature and made available to the Issuer, would be paid to the Issuer, generally on or after the following July 1, which is the beginning of the next fiscal year. No such amounts would be available to cure any additional deficiency in the Debt Service Reserve Fund occurring after such December 1, nor to cover any shortfalls in moneys available to pay principal and interest on the Bonds, including the Series 2020 Bonds, during the current fiscal year, although any such shortfalls then existing or expected to occur should be considered in determining the expected shortfall for the following fiscal year.

All moneys that may be payable to the Issuer pursuant to the provisions of Section 136A.1787 are subject to appropriation by the State legislature for such purpose. Section 136A.1787 does not constitute a legally enforceable obligation on the part of the State nor does it create a debt or liability of the State. The Act contains no provision establishing any right of Owners of the Bonds, including the Series 2020 Bonds, to require the legislature to make the specified appropriations or limiting the ability of the State to amend or repeal Section 136A.1787 of the Act or, by other legislative, executive, or judicial action, to adversely affect the timely transfer of any such appropriations.

Any appropriations so made to the Issuer are subject to the unallotment process of the State under certain conditions. Minnesota Statutes provide that if the Commissioner of Minnesota Management and Budget determines that probable receipts for the State's general fund will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the Commissioner, with the approval of the Governor, shall, after first reducing the amount in the State's budget reserve account, address any additional budget deficit by reducing unexpended allotments of any prior appropriation or transfer. The law empowers the Commissioner to defer or suspend prior statutorily created obligations which would prevent effecting such reductions. The statutory duty to reduce allotments is mandatory to the extent needed to make up a projected deficit not solved by use of the budget reserve account. The Commissioner has fairly broad authority to reduce allotments as necessary to make up a deficit: no program is exempt from the unallotment authority; the Commissioner is not required to make across-the-board cuts; and no maximum percentage limits how much the Commissioner can cut from any program.

The unallotment process is not automatically triggered under a determination of a revenue shortfall. The timing of revenue and expenditure forecasts for the general fund under Minnesota Statutes is such that the Governor may propose an amended budget for consideration by the legislature prior to the end of a biennium in order to address a shortfall legislatively. Absent the enactment of appropriate legislation, the Commissioner and the Governor would act in order to maintain a positive balance in the State's general fund at the end of a biennium as required under the State's constitution.

There is no statutory limitation on the amount of bonds which may be issued by the Issuer that would be subject to the provisions of Section 136A.1787 of the Act.

See "SECURITY AND SOURCE OF PAYMENT—Statutory Provisions Providing for Legislative Appropriations" herein.

Financial Condition of the Issuer

The Issuer's audited financial statements as of and for the year ended June 30, 2019 are attached hereto as APPENDIX A. An investor, in making an investment decision with respect to the Series 2020 Bonds, should examine this financial information carefully with the knowledge that none of the assets of the Issuer (other than the Trust Estate held under the Indenture) have been pledged to be used by the Issuer

to make principal and interest payments in respect of the Bonds, including the Series 2020 Bonds. However, the Issuer will pay the costs of issuing the Series 2020 Bonds from sources other than the Trust Estate.

Enforceability of Remedies

The Bonds, including the Series 2020 Bonds, are payable from the moneys and investments held under the Indenture and available for such purpose. The ability to compel payment under the Indenture and otherwise to enforce the terms and agreements of the Indenture will depend upon the exercise of various remedies specified by the Indenture. The exercise of these remedies may in many instances require judicial actions, which are often subject to discretion and delay. Under existing law, the remedies specified in the Indenture may not be readily available or may be limited. For example, a court may decide not to order the specific performance of covenants contained in the Indenture. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds will be qualified as to the enforceability of the Indenture by limitations imposed by federal and state laws, rulings and decisions affecting remedies and by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of creditors' rights generally.

Early Redemption of the Series 2020 Bonds

The Series 2020 Bonds maturing on November 1, 2038 are subject to sinking fund redemption, at a Redemption Price of 100% of principal, without premium, plus accrued interest, if any, to the redemption date, as described herein. All Series 2020 Bonds are subject to redemption, at a Redemption Price of 100% of principal, plus accrued interest to the date of redemption, plus, in the case of the redemption of Series 2020 Premium Bonds, the Unamortized Premium with respect to such Series 2020 Premium Bonds, from certain unexpended and uncommitted amounts remaining in the Series 2020 Account of the Acquisition Fund, if any, as of the end of the Loan Origination Period. Series 2020 Bonds maturing on November 1, 2038 are subject to optional redemption on any date on and after November 1, 2027 at a Redemption Price of 100% of principal, plus accrued interest to the date of redemption. Series 2020 Bonds maturing on November 1, 2038 are also subject to special optional redemption and special mandatory redemption, in each case at a Redemption Price of 100% of principal, without premium, plus accrued interest to the date of redemption, from certain Excess Revenues allocable to the Series 2020 Bonds as described herein available therefor under the Indenture. Excess Revenues may result from Student Loan portfolio payment performance that exceeds assumptions utilized by the Issuer for purposes of structuring the Series 2020 Bonds. Student Loans are subject to prepayment without penalty. Numerous sources of such prepayment, including loans from sources other than the Issuer, are available to Student Loan Borrowers. The Indenture provides that Excess Revenues from Student Loans Financed with proceeds of the Series 2020 Bonds or Student Loans pledged to the Trust Estate in connection with the issuance of the Series 2020 Bonds that are to be applied to fund such special mandatory redemption of the Series 2020 Bonds do not include Excess Revenues that constitute Excess Coverage. The Indenture permits the Issuer, in its discretion, to deem Excess Revenues that result from the Student Loans that are associated in this manner with a specific Series of Bonds to constitute Excess Coverage for this purpose at any time when, and to the extent that, Excess Coverage exists. The Indenture further permits the Issuer, in its discretion, to direct the application of Excess Revenues that are so associated with a specific Series of Bonds and that are deemed to constitute Excess Coverage to fund the optional redemption of such Series, to fund Student Loans during a Loan Origination Period or any Recycling Period applicable to such Series, to be retained in the Trust Estate or to be released to the Issuer. Exercise by the Issuer of such discretion may affect the principal amortization of the Series 2020 Bonds. See "THE SERIES 2020 BONDS—Redemption Provisions" herein and "APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—CERTAIN DEFINITIONS" and "APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 BONDS MATURING NOVEMBER 1, 2038" hereto.

Redemption of the Series 2020 Bonds May Create Reinvestment Risks

Student Loans may be prepaid by Borrowers at any time without penalty and the Issuer may use such prepayments to prepay the Bonds, including the Series 2020 Bonds maturing on November 1, 2038, pursuant to the special optional redemption, special mandatory redemption, or optional redemption provisions of the Indenture. See “THE SERIES 2020 BONDS—Redemption Provisions” herein. If the Series 2020 Bonds maturing on November 1, 2038 are redeemed prior to their stated maturities, Owners may not be able to reinvest their funds at the same yield as the yield on such Series 2020 Bonds and may suffer adverse effects if such Series 2020 Bonds were purchased at a premium or discount. The Issuer cannot predict the prepayment rate of any Student Loans Financed with proceeds of the Bonds, including the Series 2020 Bonds, and reinvestment risks or reductions in yield resulting from prepayment will be borne entirely by the affected Owners. The rate of prepayments may be influenced by economic and other factors, such as interest rates, the availability of other financing options and the general job market.

Additional Bonds

The principal amount of Bonds that the Issuer may issue under the Indenture is not limited. However, under the Act, the aggregate amount of revenue bonds issued by the Issuer and outstanding at any one time, whether issued under the Indenture or other trust indentures, not including refunded bonds or otherwise defeased or discharged bonds, cannot exceed \$850 million (under current law). As of June 30, 2019, the Issuer had outstanding \$500.9 million of bonds, including \$54.535 million of Outstanding Bonds. See “MINNESOTA OFFICE OF HIGHER EDUCATION—Financial Information—*Prior Financing Activities*” herein.

In order to: (a) Finance Student Loans; (b) refund obligations of the Issuer; (c) fund the Debt Service Reserve Fund; (d) fund the Capitalized Interest Fund; and (e) pay Costs of Issuance or Program Expenses, the Issuer is authorized to issue Bonds under the General Indenture from time to time in one or more Classes or Series. The Issuer may issue additional Bonds on a parity with, or subordinate to, the Series 2020 Bonds. Any additional Bonds may Finance student loans originated under any Student Loan Program operated by the Issuer; however, the issuance of such additional Bonds requires the Issuer to satisfy the requirements of an Event Notification. In addition, the Issuer has previously issued bonds under separate trust indentures (see “MINNESOTA OFFICE OF HIGHER EDUCATION—Financial Information” herein) and can issue bonds in the future under separate trust indentures. Such bonds would not be secured under the General Indenture, nor would the assets securing those bonds secure Bonds, including the Series 2020 Bonds, issued under the Indenture. See “STUDENT LOAN PROGRAM” herein.

Issuance of Additional Bonds May Affect Excess Revenue Redemption

The Issuer reserves the right to issue additional Bonds, and the issuance of such additional Bonds may affect the amount of Excess Revenues available to redeem Series 2020 Bonds. See “SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Revenue Fund*” herein.

Risk of Non-Origination

The Fixed-Rate SELF V Loans to be Originated by the Issuer with the amounts within the Series 2020 Account of the Acquisition Fund are expected to bear effective interest rates and to offer other terms and conditions that are competitive with fixed-rate education loans that are currently made available by other lenders. However, interest rates applicable to fixed-rate loans made to fund the costs of postsecondary education, or interest rates applicable to other loans available to potential Borrowers, may decline significantly during the Loan Origination Period, or other material changes may occur in competing education loan programs. In addition, Fixed-Rate SELF V Loans compete with variable-rate loans,

including variable-rate SELF Loans offered by the Issuer as well as other student loan programs. See “—Competition from Variable-Rate SELF V Loans” herein. There is no assurance that the Issuer will be able to apply the full amount of Series 2020 Bond proceeds and allocable Revenues which are currently expected to be made available therefor to the Origination of Student Loans. The demand for education loans is affected by a number of factors, including general economic conditions, student perceptions of the value of postsecondary education and the ability of students to participate in postsecondary education programs on at least a half-time basis, factors affecting the costs of postsecondary education and the availability of other forms of financial assistance, the ability of potential Borrowers and Cosigners to satisfy credit criteria and the schedule upon which students and their families must pay postsecondary education costs, which is generally based upon an academic year commencing in September, or upon semesters commencing in September and January. See “—General Economic Conditions” herein.

The Loan Origination Period will expire on June 30, 2021, subject to extension thereafter upon satisfaction of the requirements of an Event Notification with respect to such extension. If the Issuer is unable to fully apply all amounts available to Originate SELF V Loans prior to expiration of the Loan Origination Period, unexpended moneys in the Series 2020 Account of the Acquisition Fund would be transferred to the Redemption Fund and used to redeem Series 2020 Bonds. The Issuer reserves the right to apply moneys in the Series 2020 Account of the Acquisition Fund, moneys in the Series 2020 Account of the Surplus Fund and other moneys available to it to Originate SELF V Loans in the manner it deems most advantageous to SELF V Loan Borrowers and the Issuer. See “THE SERIES 2020 BONDS—Redemption Provisions—*Mandatory Redemption Resulting from Non-Origination*” herein.

Lack of Liquidity

There currently is no secondary market for the Series 2020 Bonds. There is no assurance that any market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. If a secondary market for the Series 2020 Bonds does develop, the spread between the bid price and the asked price for the Series 2020 Bonds may widen, thereby reducing the net proceeds to the investor from the sale of its Series 2020 Bonds. The Issuer does not intend to list the Series 2020 Bonds on any exchange, including any exchange in either Europe or the United States. Under current market conditions, an investor may not be able to sell its Series 2020 Bonds when it wants to do so (it may be required to bear the financial risks of an investment in the Series 2020 Bonds for an indefinite period of time) or it may not be able to obtain the price that it wishes to receive. The market values of the Series 2020 Bonds may fluctuate and movements in price may be significant.

Market Disruptions

United States capital markets have historically experienced periodic disruptions that have varied in length and severity. Such disruptions of credit markets may make it difficult for the Issuer to obtain financing in the future for the phases of its Student Loan Program. If the Issuer is unable to procure financing for its future needs, the Issuer would be limited in its ability to Originate new Student Loans. These limitations could result in students borrowing from other sources. These circumstances may adversely impact the long-term viability of the Student Loan Program and, thus, impair the ability of the Issuer to pay principal of and interest on the Bonds, including the Series 2020 Bonds.

Certain Amendments to the Indenture and Other Actions Upon an Event Notification or Consent of Fewer Than All Owners

Certain changes may be made to the Indenture or other actions taken upon satisfaction of the requirements of an Event Notification and without the consent of the Owners. Such changes include, but are not limited to, the issuance of additional Bonds, certain amendments to the definition of “Investment

Securities,” a change in the Servicer, a decrease in the Minimum Class I Bonds Parity Ratio, an increase in the amount of Program Expenses, a reduction in Debt Service Reserve Requirements, changes to certain criteria for the Student Loans set forth in the Second Supplement, or extension of the Loan Origination Period and the establishment or extension of a Recycling Period with respect to amounts in the Acquisition Fund and the Surplus Fund. See “THE SERIES 2020 BONDS—Redemption Provisions—*Mandatory Redemption Resulting from Non-Origination*,” “SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Surplus Fund*” and “LOAN SERVICING AND COLLECTIONS—Servicer” herein and “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE” hereto.

“*Event Notification*” means that the Issuer has given each Rating Agency notice of a proposed action, failure to act, or other event specified in the notice, at least 10 days prior to the occurrence of such event and the Issuer reasonably believes that the proposed action, failure to act, or other event specified in the Event Notification will not adversely affect the Owners of the Bonds.

Under the Indenture, Owners of specified percentages of the aggregate principal amount of the Bonds may amend or supplement or waive provisions of the Indenture without the consent of the other Owners. There is no recourse to non-consenting Owners if the requisite percentage of Owners have consented on these matters. The Owners may vote in a manner which impairs the ability to pay principal and interest on other Bonds, including the Series 2020 Bonds. See “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—The General Indenture—*Supplemental Indentures Not Requiring Consent of Owners*” and “—*Supplemental Indentures Requiring Consent of Owners*” hereto.

The Rating of the Series 2020 Bonds is Not a Recommendation to Purchase; Rating May Change

The rating is not a recommendation to purchase, hold, or sell the Series 2020 Bonds, inasmuch as the rating does not comment as to the market price or suitability for a potential purchaser as an investor. An additional rating agency may rate the Bonds, including the Series 2020 Bonds, and that rating may not be equivalent to the initial rating described in this Official Statement. A rating may be increased, lowered or withdrawn by any Rating Agency at any time if, in such Rating Agency’s judgment, circumstances so warrant. A downgrade in the rating of the Bonds, including the Series 2020 Bonds, is likely to decrease the price a subsequent purchaser will be willing to pay for the Series 2020 Bonds.

There is the Potential for Conflicts of Interest and Regulatory Scrutiny with Respect to a Rating Agency Rating the Series 2020 Bonds

It may be perceived that a Rating Agency, including S&P, has a conflict of interest that may have affected the rating assigned to the Series 2020 Bonds where, as is the industry standard and the case with the rating of the Series 2020 Bonds, the Issuer pays the fees charged by a Rating Agency for its rating services.

Furthermore, rating agencies, including S&P, have been and may continue to be under scrutiny by federal and state legislative and regulatory bodies for their roles in the financial crisis and such scrutiny and any actions such legislative and regulatory bodies may take as a result thereof may also have an adverse effect on the price that a subsequent purchaser would be willing to pay for the Series 2020 Bonds and an Owner’s ability to resell its Series 2020 Bonds.

Risks Relating to Book-Entry Registration

The Series 2020 Bonds will be represented by certificates registered in the name of Cede & Co., the nominee for The Depository Trust Company, and will not be registered in an individual investor's name or the name of its nominee. Unless and until definitive securities are issued, beneficial owners of the Series 2020 Bonds will not be recognized by the Trustee as Owners as that term is used in the Indenture. Until definitive securities are issued, beneficial owners of the Series 2020 Bonds will only be able to exercise the rights of Owners indirectly through The Depository Trust Company and its participating organizations. See "APPENDIX C—BOOK-ENTRY-ONLY SYSTEM" hereto.

Sufficiency and Timing of Receipt of Revenues

Upon issuance of the Series 2020 Bonds, it is anticipated that the initial Class I Bonds Parity Ratio will be not less than 132.5%. The Issuer expects, and the Cash Flow Projections prepared in connection with the issuance of the Series 2020 Bonds indicate, that the Revenues to be derived from the Student Loans and other amounts on deposit under the Indenture should be sufficient to pay the principal of and interest on the then Outstanding Bonds, including the then Outstanding Series 2020 Bonds, when due. This expectation is based upon an analysis of the Cash Flow Projections, using assumptions which the Issuer believes are reasonable, regarding (a) the characteristics and expected performance of the Student Loans, (b) amounts to be deposited in the Debt Service Reserve Fund, (c) investment earnings on amounts on deposit in the Funds and Accounts under the Indenture (excluding the Rebate Fund and the Excess Interest Fund), and (d) the amount and timing of payment of Program Expenses. The assumptions regarding expected performance of the Student Loans are derived in part from the Issuer's historical experience in the administration of its Student Loan Program. There can be no assurance, however, that the Student Loans anticipated to be Financed with amounts to be deposited in the Series 2020 Account of the Acquisition Fund in connection with the issuance of the Series 2020 Bonds or pledged by the Issuer to the Trust Estate will be Financed or pledged as anticipated, that interest and principal payments from Student Loans will be received as anticipated or that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized. Furthermore, future events over which the Issuer has no control may adversely affect the Issuer's actual receipt of Revenues and other amounts pursuant to the Indenture. See "SECURITY AND SOURCE OF PAYMENT—Pledged Funds—*Surplus Fund*" herein and "APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—CERTAIN DEFINITIONS" hereto.

Receipt of principal of and interest on Student Loans may occur earlier than anticipated, causing an unanticipated redemption of Series 2020 Bonds, due to various factors, including, without limitation: (a) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Issuer's Student Loan portfolio expected to be held pursuant to the Indenture, (b) the commencement of principal repayment by Borrowers on earlier dates than are assumed based upon the current analysis of the Issuer's Student Loan portfolio expected to be held under the Indenture, and (c) economic conditions that induce Borrowers to refinance or repay their loans prior to maturity.

Delay in the receipt of principal of and interest on Student Loans may adversely affect payment of the principal of and interest on the Bonds, including the Series 2020 Bonds, when due. Receipt of principal of and interest on Student Loans may be delayed due to numerous factors including, without limitation: (a) additional extended grace periods for up to 24 additional months (during which interest, but not principal, payments are required to be made) occurring after grace periods granted automatically for the first 12 months after the Borrower ceases to be enrolled as at least a Half-time Student or leaves school; (b) Borrowers entering into interest only payment periods due to a return to school or other eligible purposes; (c) forbearance being granted to Borrowers; (d) loans in delinquency for periods longer than assumed; (e) actual loan principal amortization periods which are longer than those assumed based upon

the current analysis of the Issuer's Student Loan portfolio expected to be held under the Indenture; and (f) the commencement of principal repayment by Borrowers at dates later than those assumed based upon the current analysis of the Student Loan portfolio expected to be held under the Indenture. See "APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 BONDS MATURING NOVEMBER 1, 2038" hereto.

If actual receipt of the Revenues and other amounts under the Indenture or actual expenditures (including, without limitation, Program Expenses) vary materially from those projected, the Issuer may be unable to pay the principal of and interest on the Bonds, including the Series 2020 Bonds. In the event that Revenues and other amounts to be received under the Indenture are insufficient to pay the principal of and interest on the Bonds, including the Series 2020 Bonds, when due, the Indenture authorizes, and under certain circumstances requires, the Trustee, upon written notice or actual knowledge of a Responsible Officer of an Event of Default, to sell the Student Loans and all other assets comprising the Trust Estate and accelerate the maturity of the Bonds, including the Series 2020 Bonds. It is possible, however, that the Trustee would not be able to sell the Student Loans and the other assets comprising the Trust Estate in a timely manner or for an amount sufficient to permit payment of the principal of and accrued interest on all Outstanding Bonds, including the Series 2020 Bonds, when due.

General Economic Conditions

A downturn in the economy resulting in increasing unemployment, either regionally or nationally, might result in increased defaults by Borrowers in repaying Student Loans. Failures by Borrowers to pay timely the principal of and interest on the Student Loans or an increase in grace periods or forbearances could affect the timing and amount of available funds for any monthly collection period and the ability to pay principal of and interest on the Series 2020 Bonds. See "—Sufficiency and Timing of Receipt of Revenues" herein. The effect of these factors, including the effect on the timing and amount of available funds for any monthly collection period and the ability to pay principal of and interest on the Bonds, including the Series 2020 Bonds, is impossible to predict.

The Student Loans Are Unsecured and Do Not Have the Benefit of a Guarantee

The Student Loans are supplemental student loans, are not originated pursuant to the Higher Education Act of 1965, as amended, and are not, and will not be, guaranteed by any governmental entity or third party guarantor. In addition, the Student Loans to be pledged to the Trust Estate will be unsecured; however, the SELF V Loans are required to have Cosigners. Therefore, the receipt by the Trustee of principal and interest on the Student Loans will be dependent on the ability and willingness of the Borrowers or the Cosigners to make these payments. See "—General Economic Conditions" and the "STUDENT LOAN PROGRAM" herein.

Geographic Concentration of Student Loans

The concentration of Student Loan Borrowers in specific geographic areas may increase the risk of losses on the Student Loans. National, regional and local economic conditions affecting the areas where Borrowers work or reside may affect the delinquency, loan loss and recovery experience with respect to the Student Loans. As of November 30, 2019, approximately 88.3% and 5.6% of the Student Loans by principal balance were to Borrowers with current billing addresses in the States of Minnesota and Wisconsin, respectively. See "THE STUDENT LOANS—Geographic Distribution of the Student Loans as of November 30, 2019" herein. As of such date, no other state accounts for more than 2.0% of the Student Loans by principal balance. Local and regional economic conditions may change, and may diverge from more generally applicable conditions, from time to time. Such local and regional conditions may be adverse for extended periods. Because of the concentrations of the Borrowers in the States of Minnesota

and Wisconsin, any adverse economic conditions disproportionately affecting those states may have a greater effect on the repayment of the Bonds, including the Series 2020 Bonds, than if these concentrations did not exist.

The Composition and Characteristics of the Student Loans Will Change Over Time

The Student Loans currently pledged to the Trust Estate and the Student Loans the Issuer intends to Finance during the Loan Origination Period and any Recycling Period relating to the Series 2020 Bonds, together with the Student Loans expected to be pledged by the Issuer to the Trust Estate upon the issuance of the Series 2020 Bonds, are described in this Official Statement. See “PLAN OF FINANCING” and “THE STUDENT LOANS” herein.

The Loan Origination Period relating to amounts initially deposited in the Series 2020 Account of the Acquisition Fund on the date of issuance of the Series 2020 Bonds terminates on June 30, 2021, subject to extension thereafter upon satisfaction of the requirements of an Event Notification with respect to such extension. See “INTRODUCTORY STATEMENT” herein. During any Recycling Period relating to the Series 2020 Bonds, and any Recycling Period relating to any other Bonds issued by the Issuer under the Indenture, certain amounts received with respect to such Student Loans may be used to Finance additional Student Loans during such Recycling Period. Additional Bonds may also be issued and the proceeds thereof used to Finance other Student Loans that will become part of the Trust Estate. The characteristics of the Student Loan portfolio within the Trust Estate will change from time to time due to the Origination of new Student Loans, changes in terms of the Student Loan Program, sales or exchanges of loans and scheduled amortization, prepayments, delinquencies and defaults on the Student Loans.

The aggregate characteristics of the Student Loans expected to be pledged to the Trust Estate upon the issuance of the Series 2020 Bonds may vary from the information presented herein, since the information presented herein is as of November 30, 2019 and the date of issuance for the Series 2020 Bonds will occur after that date. The aggregate characteristics may also vary as a result of the inclusion of Student Loans not described herein or the exclusion of Student Loans that are described herein, in each case for the reasons described in the preceding paragraph.

Limited Performance History for the Student Loans; Performance of Student Loans May Differ from Historical Performance of Previous SELF Loans

The Issuer began offering loans under the SELF V phase of the SELF Program during the 2010-2011 academic year; thus, there is only a limited amount of historical performance information for the SELF V Loans. This Official Statement contains information with respect to the origination and payment experience of previously originated loans under SELF I through SELF IV phases of the SELF Program, all of which bear interest at variable-rates, as well as previously originated SELF V Fixed-Rate and SELF V Variable-Rate Loans. See “STUDENT LOAN PROGRAM” herein. Such information is included for general reference purposes only and is not intended as a representation that the origination and payment experience of the Fixed-Rate SELF V Loans to be Financed or otherwise pledged to the Trust Estate by the Issuer in connection with the issuance of the Series 2020 Bonds will be similar to that of previously originated loans under SELF I through SELF IV phases of the SELF Program and the previously originated SELF V Loans during any period or over the respective lives of such loans.

There can be no assurance that the performance of the Student Loans will in fact be consistent with that of previously originated SELF I through SELF IV loans or previously originated SELF V Loans. The interest and repayment terms of previously originated SELF I through SELF V Loans vary, in certain respects, from those of SELF V Loans. In particular, most previously originated SELF Loans other than the Student Loans were or are variable-rate loans. In addition, the Issuer has, from time to time, modified

the credit criteria and certain other origination terms applicable to SELF Loans. As a result, previously originated SELF I through SELF IV loans were originated on the basis of credit criteria that differ, and these SELF Loans and Variable-Rate SELF V Loans bear terms that differ, in certain respects from those expected to be applicable to the Fixed-Rate SELF V Loans to be included within the Trust Estate. Although the Issuer believes that such differences have proven to not have a material adverse effect on the overall performance to date of SELF Loans that have been originated during different periods, there can be no assurance that no such effect will result in the future. There can be no assurance that the ability of Borrowers to repay their Student Loans, or the likelihood that Borrowers will prepay their Student Loans, may not differ materially from that of borrowers of previously originated SELF Loans.

Defaults and Delinquencies on the Student Loans

The Revenues derived by the Issuer from payments of principal of and interest on the Student Loans could be materially and adversely affected by increases in defaults and delinquencies on payments of principal of and interest on the Student Loans. Significant increases in college tuition experienced over the last several years have significantly increased the average amount of outstanding loans for each student. The Issuer has no obligation to replace any Student Loan that becomes delinquent or goes into default.

There Will Be No Market Valuation of the Student Loans

The Student Loans are not being valued at their fair market value as determined by any independent advisor, but will be valued based upon the principal of and accrued interest to be received by the Issuer according to the terms of the Student Loans. There can be no assurance that a market for some or all of the Student Loans will exist at any time, or as to the value at which such Student Loans might be sold, should other Revenues be insufficient to fund the full and timely payment of principal of and interest on the Bonds and Program Expenses.

Dependence on Third-Party Servicer

The Issuer is currently dependent on a third party to service its SELF Loans and its SELF Refi Loans (each as defined herein), including the Student Loans to be Financed with amounts to be deposited in the Series 2020 Account of the Acquisition Fund in connection with the issuance of the Series 2020 Bonds. As of the date of this Official Statement, Nelnet Servicing, LLC (“Nelnet Servicing”), a subsidiary of Nelnet, Inc., is acting as servicer with respect to all SELF Loans pursuant to a Servicing Agreement that expires on April 30, 2023, unless extended an additional five years to April 30, 2028; provided, however, the Issuer or Nelnet Servicing may terminate such agreement upon 180 days’ notice, and the Issuer may terminate such agreement if Nelnet Servicing refuses or fails to perform in a material fashion any part of its obligations thereunder, and fails or refuses to correct said action or lack of action within 60 days after receipt of written notice. The Issuer has the right, under the Indenture, to appoint a different or successor Servicer, subject to satisfaction of the requirements of an Event Notification as to such successor or additional Servicer. The Cash Flow Projections relied upon by the Issuer in structuring the Series 2020 Bond issue provide for the payment of all anticipated Program Expenses (including the fees and expenses of the Servicer) from moneys in the Trust Estate, and include certain assumptions with respect to servicing costs which were based upon this current agreement (it is the current intent and past practice of the Issuer to pay Program Expenses from funds not held as part of the Trust Estate). No assurance can be given that the Issuer will be able to extend the term of its existing Servicing Agreement, or to enter into an agreement with another Servicer acceptable to each Rating Agency at the assumed level of servicing cost upon expiration of the current Servicing Agreement. Furthermore, provisions of the Second Supplement restrict payment of Program Expenses (which includes the fees and expenses of the Servicer) from moneys in the Trust Estate to those assumed in the Cash Flow Projections delivered to the Trustee on the date of issuance of the Series 2020 Bonds, or updated Cash Flow Projections if the requirements of an Event Notification

have been satisfied with respect to any such excess. See “LOAN SERVICING AND COLLECTIONS” herein and “APPENDIX B—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE INDENTURE—SUMMARIES OF DOCUMENTS—The Second Supplement—*Limitation on Program Expenses Paid from Revenue Fund*” hereto.

Payments received on the Student Loans generally are deposited into an account in the name of the Servicer each business day. Payments received on the Student Loans may not always be segregated from payments the Servicer receives on other student loans it services, and payments received on the Student Loans that are part of the Trust Estate may not be segregated from payments received on other student loans that are not part of the Trust Estate. Such amounts that relate to the Student Loans are required by the Indenture to be forwarded to the Trustee for deposit into the Revenue Fund within two Business Days of receipt. If the Servicer fails to transfer such funds to the Trustee, Owners may suffer a loss. See “LOAN SERVICING AND COLLECTIONS” herein.

The Revenues derived by the Issuer from payments of principal of and interest on the Student Loans are dependent upon the ability of the Servicer to properly and promptly collect such amounts. In the event that the Servicer is unable for any reason to properly service the Student Loans, the Revenues to the Issuer could be materially and adversely affected and the Issuer would be required to retain a substitute Servicer, whose ability to properly service the Student Loans cannot be assured. A removal of the Servicer and the appointment of a successor Servicer may result in additional Program Expenses associated with the transfer of such duties to the successor Servicer including, but not limited to, an increase in the servicing fees the successor Servicer charges. In the event of a default by the Servicer resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to control the appointment of a successor Servicer.

Prepayment of Student Loans

Student Loans may be prepaid by Borrowers at any time. For this purpose the term “prepayments” includes repayments in full or in part and liquidations due to default. The rate of prepayments on the Student Loans may be influenced by a variety of economic, social, and other factors affecting Borrowers, including interest rates, the availability of alternative financing and the general job market for graduates of institutions of higher education. To the extent that Student Loans are prepaid or liquidated, the proceeds of such prepayments or liquidations may be used to redeem the Series 2020 Bonds maturing on November 1, 2038, which otherwise would have been redeemed at a later date. See “THE SERIES 2020 BONDS—Redemption Provisions” herein.

Possibility of Reduced Payments from Borrowers Called to Active Military Service

Current military operations have increased the number of citizens who are in active military service, including persons in reserve status who have been called or will be called to active duty. The Servicemembers Civil Relief Act (the “Relief Act”) limits the ability of a lender to take legal action against a borrower during the borrower’s period of active duty and, in some cases, during an additional three-month period thereafter. The Relief Act prevents a creditor from obtaining a default judgment in court and may limit the interest rate on a loan (including a Student Loan) to 6.00% per annum while the borrower is in military service if the loan was incurred before the borrower’s entry into military service.

Student Loans May Be Forgiven upon the Death or Permanent Disability of the Borrower

The Student Loans are eligible for loan write-off if the Borrower dies or becomes permanently disabled. If the Borrower meets these requirements, the Borrower’s and Cosigner’s obligations to repay such Student Loan will be cancelled, which will reduce the Revenues available to the Issuer to pay the

Bonds, including the Series 2020 Bonds. See “STUDENT LOAN PROGRAM—SELF V Terms and Conditions—*Death and Disability Provisions*” herein.

Competition May Reduce Demand or Increase Prepayments on Student Loans

In addition to the Student Loan Program, there are a number of other sources available to students and/or their parents to finance or refinance the costs of higher education. Such other sources include, but are not limited to, loans offered pursuant to the Federal Direct Student Loan Program and by other education lenders generally. The terms and availability of education loan financing, and of education loan consolidation financing, from sources other than the Issuer vary and are subject to change from time to time. Although the Issuer believes that Student Loans will be competitive in the current prevailing market for education loans, the availability of such other lending sources in general and of the federal programs described herein in particular may impact adversely the number and amount of loans which may be Originated under the Student Loan Program. In addition, the availability of education loan consolidation financing from the Issuer and other sources may materially increase the rate of prepayment actually experienced by the Issuer with respect to Student Loans. There can be no assurance as to the availability to students of other forms of financial assistance that may reduce demand for Student Loans. Potential sources of such financial assistance include federal and state government grant and loan programs, as well as public and private educational institutions. See “STUDENT LOAN PROGRAM” and “—Changes in Relevant Laws” herein.

Competition from Variable-Rate SELF V Loans

The Variable-Rate SELF V Loan has an interest rate that is currently lower than the Fixed-Rate SELF V Loan. There is a risk that potential Borrowers will select Variable-Rate SELF V Loans over Fixed-Rate SELF V Loans, which may result in the inability of the Issuer to apply the full amount to be deposited to the Series 2020 Account of the Acquisition Fund in connection with the issuance of the Series 2020 Bonds to be made available under the Indenture for the Origination of Fixed-Rate SELF V Loans. See “—Risk of Non-Origination” herein. The interest rate on a Variable-Rate SELF V Loan is currently set at (a) an index rate of the average three-month London Interbank Offered Rates (“LIBOR”) for the prior calendar quarter rounded to the nearest 1/10th of 1% plus (b) a margin set by the Issuer, which the Issuer may reset as of the first day of each calendar quarter. The first quarter 2020 SELF V Variable-Rate Loan interest rate is 3.90%. See “STUDENT LOAN PROGRAM—SELF V Terms and Conditions” herein.

Consumer Protection Lending Laws

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Also, some state laws impose finance charge ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions and may, in aggregate, materially increase the costs of marketing, origination, servicing and collecting education loans such as SELF Loans or reduce the availability of third party service providers to discharge these functions. In some cases, this liability could affect an assignee’s ability to enforce consumer finance contracts such as the Student Loans.

Currently, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 preserves the changes made in the 1998 amendments to the Bankruptcy Code which had removed one of the two exceptions to non-dischargeability of student loans making it more difficult to discharge a student loan in bankruptcy. Bankruptcy reform legislative proposals to alter the non-dischargeability of student loans have been discussed and/or introduced in the Congress of the United States among which include proposals to allow supplemental student loans, such as the Student Loans, to be dischargeable in bankruptcy. No

assurance can be given as to whether these or any alternative bankruptcy reform legislative proposals will be enacted at the federal level or whether state loan programs such as the SELF V phase of the SELF Program would be affected.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which was enacted in July 2010, represented a comprehensive overhaul of the financial services industry within the United States, and established the new federal Consumer Financial Protection Bureau (the “CFPB”). The CFPB, an independent agency within the Federal Reserve, now regulates consumer financial products, including education loans, and other financial services offered primarily for personal, family, or household purposes, and the CFPB and other federal agencies are required to undertake various assessments and rulemakings to implement the law. The majority of the provisions in the Dodd-Frank Act are aimed at financial institutions. However, there are components of the law that are, or that may become, applicable to the Issuer.

The Dodd-Frank Act gave the CFPB authority to supervise private lenders. In addition, the CFPB supervises and examines certain non-bank loan servicers that service more than 1 million borrower accounts to ensure that bank and non-bank servicers follow the same rules in the student loan servicing market. The rule covers both federal and non-federal student loans. Nelnet Servicing, LLC, the current Servicer for the SELF Program, currently services more than 1 million borrower accounts. The CFPB conducts supervisory examinations of the large nonbank loan servicers. If, in the course of an examination, the CFPB were to determine that a regulated servicer that was not in compliance with applicable laws, regulations and CFPB positions, it is possible that this could result in material adverse consequences to a servicer or to holders for whom it services, including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in the servicer’s business practices, or other actions. In addition to its supervisory authority, the CFPB has broad authority to enforce compliance with federal consumer financial laws applicable to private lenders and loan servicers, including the Dodd-Frank Act’s prohibition on unfair, deceptive or abusive acts or practices, by conducting investigations and hearings, imposing monetary penalties, collecting fines and requiring consumer restitution in the event of violations. It may also bring a federal lawsuit or administrative proceeding. In addition, the Dodd-Frank Act authorizes state officials to enforce regulations issued by the CFPB. See “LOAN SERVICING AND COLLECTIONS” and “—Dependence on Third-Party Servicer” herein.

In May 2015, the CFPB launched a public inquiry into education loan servicing practices throughout the industry. In September of 2015, the CFPB issued a report discussing public comments submitted in response to the inquiry and, in consultation with the Department of Education and Department of the Treasury, released recommendations to reform education loan servicing to improve borrower outcomes and reduce defaults. In July of 2016, the Department of Education expanded on these joint principles by outlining enhanced customer service standards and protections that will be incorporated into federal servicing contracts and guidelines. The CFPB has also announced that it may issue education loan servicing rules in the future.

At this time, it is difficult to predict the extent to which the Dodd-Frank Act or the resulting regulations will impact the Servicer’s business and operations and the business and operations of any future third-party Servicer. As rules and regulations are promulgated by the federal agencies responsible for implementing and enforcing the provisions of the Dodd-Frank Act, the Servicer and any future third-party Servicer will need to apply adequate resources to ensure that each is in compliance with all applicable provisions. Compliance with these new laws and regulations may result in additional costs and may otherwise adversely impact the Servicer’s and/or any other future Servicer’s results of operations, financial

condition, or liquidity and the adequacy of Student Loan revenues to fund administrative costs and Bond debt service.

Consumer Protection Lending Laws and Regulations Could Change

SELF V Loans are subject to applicable laws regulating loans to consumers. Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance which may have the effect of subjecting lenders and servicers to the licensure, supervisory and regulatory requirements of multiple governmental entities. Changes in such requirements may result in unanticipated additional marketing, origination, servicing, collection and other administration costs that must be paid from Indenture funds as provided by the Indenture and may reduce the number of entities that are qualified and available to perform such services as Issuer contractors, may increase the costs of such services or both. Some federal and state laws impose finance charge restrictions and other restrictions on certain consumer transactions and require certain disclosures of legal rights and obligations. Furthermore, to the extent applicable, these laws can impose specific statutory liabilities upon creditors who fail to comply with their provisions and may affect the enforceability of the Student Loan. In addition, the remedies available upon an Event of Default under the Indenture may not be readily available or may be limited by applicable federal and state laws. If the application of consumer protection laws were to cause the Student Loans, or any of the terms of the Student Loans, to be unenforceable against the borrowers or cosigners, the Issuer's ability to pay scheduled principal of and currently payable interest on the Bonds, including the Series 2020 Bonds, Indenture expenses could be adversely affected. See "— Changes in Relevant Laws" herein.

Additionally, further regulation by Congress, state legislatures or federal or state regulatory agencies, or changes in the regulatory application or judicial interpretation of existing laws and regulations applicable to consumer lending, could make it more difficult for the Servicer, or any future Servicer, to collect payments on the Student Loans. The regulatory environment in which student loan lenders and servicers operate has become increasingly complex.

If the Student Loans were determined to have been marketed or serviced in a manner that is unfair, deceptive or abusive, or if marketing, origination or servicing violated any applicable law, then federal and state laws might impose liability on the loan holder, as well as creating defenses to enforcement. Under certain circumstances, the holder of a Student Loan might be subject to claims and defenses that the borrower on that Student Loan could have asserted against the educational institution that received the proceeds of the Student Loan. If differential pricing of the Student Loans were determined to have an adverse impact on classes of protected persons under the federal Equal Credit Opportunity Act and other similar laws, claims under those laws might be asserted. There can be no assurance that the Issuer will not be subject to such claims or that the Issuer will not have liability with respect to such claims. Any such liability could have a material adverse effect on the Issuer and upon its ability to discharge its responsibilities under the Indenture.

The Student Loans were made using standardized documentation. Thus, many borrowers may be similarly situated insofar as the provisions of their contractual obligations are concerned. Accordingly, certain allegations of violations of the provisions of applicable federal or state consumer protection laws might potentially result in a class of claimants asserting claims against the Issuer, the Servicer or any future other Servicer. The costs of defending or paying judgments in any such lawsuits could have a material adverse effect on the Issuer and upon its ability to discharge its responsibilities under the Indenture.

Changes in Relevant Laws

Any future expansion of federal or state grants or loans, or of the availability of state tuition discount or income sharing agreement funding, to postsecondary students, might reduce demand for SELF Loans. Changes in the terms of federal loans, including but not limited to interest rates and fees, and other changes to federal or to state policies or programs to reduce the costs of postsecondary education or to assist students and their families to pay for such costs may reduce borrower demand for SELF Loans. There can be no assurance that these factors might not adversely affect the value of the Student Loans.

A number of bankruptcy reform proposals that would alter the treatment of student loans under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 have been discussed and/or introduced in the Congress of the United States in recent years, including proposals to liberalize the current general non-dischargeability of such student loans in bankruptcy. No assurance can be given as to whether federal bankruptcy reform legislative proposals will be enacted that might affect the Issuer's ability to enforce collection of the SELF Loans. See “—Sufficiency and Timing of Receipt of Revenues” herein.

Federal and state laws providing financial assistance to individuals with respect to the costs of higher education, or otherwise affecting loans made to individuals for such purpose, have been subject to frequent change. The Dodd-Frank Act established a student loan ombudsman within the CFPB, which ombudsman is required to prepare an annual report and make appropriate recommendations to the Secretary of the Treasury, the Director of the CFPB, the Secretary of Education, and Congress. There can be no assurance that changes to relevant federal or state laws will not prospectively or retroactively affect the terms and conditions under which SELF Loans are made, affect Student Loan performance, affect Student Loan prepayment, affect the costs of administering Student Loans or affect demand for SELF Loans.

Legislative enactments, regulatory actions, and court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Series 2020 Bonds and/or the market value of the Series 2020 Bonds. See “TAX MATTERS” herein.

There can be no assurance that changes to other relevant federal or state laws will not prospectively or retroactively adversely affect the terms and conditions under which SELF Loans are made, the tax-exempt status of interest on the Series 2020 Bonds, the market value of the Series 2020 Bonds, Student Loan performance, the costs of administering Student Loans or affect demand for SELF Loans. From time to time, legislation is introduced on the federal and state levels that, if enacted into law, could affect the Issuer and its respective operations. Among other matters, such legislation could change the principal amount of indebtedness which the Issuer can issue. The Issuer is not able to represent whether such bills will be introduced in the future or become law.

MINNESOTA OFFICE OF HIGHER EDUCATION

Description of the Issuer

The Issuer is an executive branch agency of the State responsible for the coordination and administration of higher education programs among the various public and private institutions of higher education in the State or attended by residents of the State and have entered into an Institutional Participation Agreement. The Issuer administers its supplemental student loan program, known as the Student Educational Loan Fund (the “SELF Program,” and the loans made thereunder, collectively, the “SELF Loans”), and a student loan refinancing program, SELF Refi (the “SELF Refi Program” and the loans made thereunder, collectively, the “SELF Refi Loans”). The Issuer also manages financial aid programs including scholarship, grant, work study and reciprocity programs.

The Issuer currently has a staff of 70 people, of which 15 full-time equivalent employees are assigned to the administration of the Student Loan Program. The remaining 55 employees are involved with the Issuer's administration of other financial aid programs, as well as research and facilitation of higher education programs in the State and communication of information to parents and students regarding higher education.

History

In 1965, the State Legislature created the Minnesota Liaison and Facilities Commission for Higher Education. In 1967, the name was changed to Coordinating Commission, and in 1975 it became the Minnesota Higher Education Coordinating Board ("MHECB"). In 1995, the agency was restructured and renamed the Minnesota Higher Education Services Office ("MHESO"). In 2003, the Minnesota Legislature gave MHESO cabinet level status as an executive branch agency with a Commissioner appointed by the Governor and confirmed by the Senate. In order to better reflect its role as an executive branch agency, effective July 1, 2005, MHESO changed its name to the Minnesota Office of Higher Education. In 2014, statutory references to the Issuer were changed to the Office of Higher Education. The Issuer has continued to use the name Minnesota Office of Higher Education in connection with the SELF Program.

In 1973, the Coordinating Commission, and subsequently MHECB, was authorized by the State Legislature to establish and operate a Statewide program for making federally insured and guaranteed student loans. From 1973 to 1988, MHECB coordinated the State's participation in the Federal Guaranteed Student Loan Program (the "GSL Program"), serving as the State's lender of last resort. During this time MHECB provided funding for over \$640 million of loans to students under the GSL Program. MHECB ceased providing new loans under the GSL Program in 1988, as participation by the private sector lenders and secondary markets had gradually replaced the need for the lender of last resort function. There are no outstanding GSL Program loans.

In 1983, MHECB was authorized by the State Legislature to establish and supervise loan programs other than the federally guaranteed programs. In June 1985, MHECB established a loan program known as the Student Educational Loan Fund I ("SELF I"). Approximately \$52 million of loans were approved under SELF I, none of which remain in currently paying status.

In September 1988, MHECB ceased originating SELF I loans and new loans were made under the second phase of its loan program known as SELF II ("SELF II"). Approximately \$654 million of loans were approved under SELF II, none of which remain in currently paying status.

In May 2002, MHESO established the third phase of its SELF Program known as SELF III ("SELF III"). Approximately \$504 million of loans were approved under SELF III, approximately \$0.7 million of which remained in currently paying status as of November 30, 2019.

In July 2006, the Issuer established the fourth phase of its SELF Program known as SELF IV ("SELF IV"). Approximately \$586 million of loans were approved under SELF IV, approximately \$87 million of which remained in currently paying status as of November 30, 2019.

In October 2010, the Issuer established the fifth phase of its SELF Program known as SELF V ("SELF V"). Approximately \$622 million of loans have been approved under SELF V, approximately \$389 million of which remained in currently paying status as of November 30, 2019. See "STUDENT LOAN PROGRAM—SELF Loans Overview" herein.

In January 2016, the Issuer established the SELF Refi Program. Approximately \$42 million of loans have been approved under the SELF Refi Program, approximately \$19 million of which remained in currently paying status as of November 30, 2019.

The Issuer's Management Team

The individuals primarily responsible for the overall management and operations of the Issuer's Student Loan Program are as follows:

Dennis Olson, Jr., Commissioner. Mr. Olson was appointed Commissioner of the Minnesota Office of Higher Education by Governor Tim Walz in December, 2018. Prior to his appointment Mr. Olson served as the Executive Director of the Minnesota Indian Affairs Council. In this role, Mr. Olson worked closely with tribal elected leaders, the State legislature, State agencies, and the governor to highlight and address issues important to all Tribal Nations and American Indian communities in Minnesota. Prior to his appointment with the Indian Affairs Council, Mr. Olson served as the Director of the Office of Indian Education for the Minnesota Department of Education, working closely with Tribal Nations, urban American Indian communities, and multiple partner agencies to address issues impacting Indian Education in Minnesota. Before joining State government, Mr. Olson served as Commissioner of Education for the Mille Lacs Band of Ojibwe, overseeing operations of the Tribal education department. He also worked nearly 10 years in various capacities for the University of Minnesota – Institute on Community Integration, coordinating federally funded grant programs focussing on postsecondary transition for American Indian high school students, students with disabilities, and at-risk youth.

Mr. Olson is an enrolled member of the Fond du Lac Band of Lake Superior Chippewa. He holds a Bachelor of Arts from the University of Minnesota Twin Cities in American Indian Studies, Sociology, and Communications. He also holds Masters degrees in Liberal Studies (MLS) and Education (M.Ed.) from the University of Minnesota Duluth, both with a focus on federal Indian policy and American Indian education.

Timothy M. Geraghty, Chief Financial Officer. Mr. Geraghty has been employed by the Issuer since February 1976. He was Accounting Director from November 1989 to December 1997; was the Issuer's Director of Financial Services from 1998 to 2004 and was named Chief Financial Officer in 2005. Mr. Geraghty is currently responsible for the accounting functions, agency budget preparation and control, fiscal analysis and data regarding revenue bond issues for the Issuer's Student Loan Program and internal controls of administrative policies for the Issuer.

Mr. Geraghty received an Associate of Arts from Anoka-Ramsey Community College and a bachelor's degree in Business Administration from the University of Minnesota.

Marilyn A. Kosir, Student Loan Program Manager. Ms. Kosir joined the Issuer in 1989 as an Accounting Officer responsible for the Loan Capital Fund financial statements and investments, annual audit, and defaulted loan recoveries. She became the Student Loan Manager in 1995. Ms. Kosir is currently responsible for program operation and administration of the Issuer's Student Loan Program, which includes the SELF Program and the SELF Refi Program. Her duties involve formulation and implementation of rules, policies and procedures, bond issue preparation and supervision of staff in the loan origination and loan default collection areas. She also oversees the activities and performance of the Issuer's loan servicer.

Ms. Kosir served as Financial Institutions Examiner for the Minnesota Department of Commerce for six years prior to joining the Issuer and holds a Bachelor's of Science Degree in Finance from St. Cloud State University and a Master's of Public Administration Degree from Hamline University.

Robert C. Helgeson, Audit Manager. Mr. Helgeson joined the Issuer in 2010 and is currently responsible for directing the audits of postsecondary educational institutions participating in the Issuer's financial aid programs, conducting annual and monthly reviews of the servicing of the Issuer's SELF Loans and SELF Refi Loans and providing guidance in the operation and administrative responsibilities of the SELF Program and the SELF Refi Program. Mr. Helgeson's previous experience of 25 years in higher education finance at postsecondary institutions includes 15 years in accounting/business office functions and 10 years as a director of financial aid. He holds a Bachelor's of Arts Degree in Accounting from Gustavus Adolphus College and is a Certified Public Accountant (inactive).

Dr. Thomas W. Sanford, Postsecondary Finance & Accountability Manager. Dr. Sanford joined the Issuer in 2014 and is currently responsible for postsecondary finance research that informs the Commissioner, Governor's Office and State Legislature on postsecondary finance policy, trends, and issues impacting Minnesota in order to achieve State priorities. Dr. Sanford served as an Assistant Commissioner and Director of Research at the Tennessee Higher Education Commission (THEC) for three years prior to joining the Issuer. Prior to his time at THEC, Dr. Sanford worked at Synovus Financial Corporation and SunTrust Bank. He holds a Ph.D. from the University of Minnesota with a minor in Quantitative Methods.

Poawit Yang, Accounting Manager. Mr. Yang joined the Issuer in 2017 and is currently responsible for the fiscal and investment functions of the Issuer's Student Loan Program, which involves preparation of monthly financial reports and bond indenture compliance reports. He also supervises Financial Services accounts payable and payroll staff to ensure appropriate financial records and controls are maintained for daily fiscal operations. Prior to joining the Issuer, Mr. Yang served for 10 years as a Business Manager for the University of Wisconsin-Milwaukee. He holds a Bachelor of Business Administration in Accounting from the University of Wisconsin-Milwaukee.

Andrew D. Wold, Esq., Senior Staff Attorney. Mr. Wold joined the Issuer in 2016 and is currently responsible for managing the SELF Loan Legal Division. He developed the policies and procedures to internalize the collection of defaulted student loans through the legal process, thereby preserving the rights of the program in those defaulted accounts. Mr. Wold supervises the division's legal staff and advises all other loan staff as to the implications of the legal process. Prior to joining the Issuer, Mr. Wold worked as the lead associate attorney at one of the top consumer collections law firms in Minnesota and, before that, as General Counsel at a privately owned collection agency.

Mr. Wold obtained his Bachelor of Arts degree from the University of Minnesota with a double-major in English and Spanish. He received his legal education at Saint Louis University School of Law, where he received a prestigious Academic Excellence Award and completed a concentration in civil litigation. Mr. Wold is currently a licensed attorney in Minnesota, Wisconsin, and Illinois.

Financial Information

Prior Financing Activities. The Issuer and its predecessors have issued approximately \$2.45 billion in aggregate principal amount of revenue bonds under its various phases of its loan program since 1973, almost half relating to its previous lending activities under the GSL Program. The Issuer and its predecessors discontinued originating federal loans in 1988, and as of June 30, 2019, there are no outstanding loans or revenue bonds related to the GSL program in the Loan Capital Fund.

Approximately \$1.85 billion of the revenue bonds previously issued by the Issuer and its predecessors is related to its Student Loan Program. Of this amount, \$54,535,000 are Supplemental Student Loan Program Revenue Bonds that have been previously issued under the Indenture ("Prior Indenture Bonds"), all of which remain Outstanding, and \$446,400,000 are bonds that have been issued under separate trust documents and are separately secured from the Prior Indenture Bonds and the Bonds offered hereby,

all of which remain outstanding as of June 30, 2019. See “PLAN OF FINANCING” herein and “APPENDIX A—FINANCIAL STATEMENTS OF THE MINNESOTA OFFICE OF HIGHER EDUCATION AS OF AND FOR THE YEAR ENDED JUNE 30, 2019—Note II—Detailed Notes On All Funds—E. Long-Term Obligations” hereto.

The Issuer is authorized to have outstanding an aggregate \$850 million of revenue bonds, exclusive of refunded and defeased bonds, under current State law. None of the bonds issued by the Issuer and its predecessors constitute debt of the State.

Operating Budget. The Issuer’s 2019-2020 operating budget, exclusive of its Student Loan Program, is \$282,047,806, of which approximately \$4,370,943 will come from federal appropriations, \$264,037,736 from State appropriations, and \$13,639,127 from miscellaneous special appropriations. None of these funds are available for use in the SELF Program or any other Student Loan Program. None of these funds are available for the payment of the outstanding bonds referenced above.

General Financial Information. The Loan Capital Fund, which is maintained as an Enterprise Fund of the Issuer, is a funding source for the Issuer’s student loan activities, both present and future. Certain summary financial information for the Loan Capital Fund for the past five years is presented in the table below. The Issuer anticipates using money in the Loan Capital Fund to pay certain Program Expenses and costs of issuance, and, under certain circumstances, money and loans in the Loan Capital Fund that qualify as Student Loans pursuant to the terms of the Indenture to replace or repurchase defaulted Student Loans. As of June 30, 2019, the Loan Capital Fund had unrestricted cash and investments of approximately \$229.6 million. The Loan Capital Fund is not pledged to pay the Bonds, including the Series 2020 Bonds, or any other amounts payable under the Indenture.

Summary Financial Data for the Loan Capital Fund

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Assets					
Total cash and investments	\$ 531,183,853	\$453,806,886	\$416,448,368	\$380,885,734	\$403,860,509
Total SELF loans receivable, net	492,364,325	512,779,850	536,600,862	558,705,915	569,199,729
Other assets	<u>2,816,573</u>	<u>2,008,383</u>	<u>2,699,546</u>	<u>2,636,224</u>	<u>3,320,191</u>
Total Assets	\$1,026,364,751	\$968,595,119	\$955,748,776	\$942,227,873	\$976,380,429
<i>Total Deferred Outflows of Resources</i>	\$1,030,481	\$2,277,165	\$2,277,165	\$133,789	\$49,491
Liabilities					
Accounts Payable	\$ 636,755	\$ 698,339	\$ 868,018	\$ 739,832	\$ 1,231,530
Bond Interest Payable	2,041,276	1,574,115	1,072,950	798,170	264,826
Bonds payable, net	501,316,198	463,830,109	468,217,895	471,430,191	519,515,905
Other liabilities	<u>503,543</u>	<u>3,470,577</u>	<u>3,501,713</u>	<u>664,793</u>	<u>647,605</u>
Total Liabilities	\$504,497,772	\$469,573,141	\$473,660,576	\$473,632,986	\$521,659,866
<i>Total Deferred Inflows of Resources</i>	\$1,952,002	\$294,267	\$294,267	\$553,514	\$569,718
Total Net Position	\$520,945,458	\$501,004,876	\$484,071,098	\$468,175,162	\$454,200,336
Change in Position	\$20,306,891	\$16,933,778	\$15,895,936	\$13,974,826	\$13,173,230

For more detailed information concerning the Loan Capital Fund, see “APPENDIX A—FINANCIAL STATEMENTS OF THE MINNESOTA OFFICE OF HIGHER EDUCATION AS OF AND FOR THE YEAR ENDED JUNE 30, 2019” hereto.

STUDENT LOAN PROGRAM

SELF Loans Overview

Background. MHECB, MHESO, and subsequently the Issuer were authorized by the State Legislature in 1983 to establish and administer loan programs other than the GSL Program. MHECB began originating supplemental loans in June, 1985 under SELF I and completed originations under SELF I in September, 1988. At that time MHECB began originating loans under SELF II. In May, 2002, MHESO established SELF III and in July, 2006 the Issuer established SELF IV. SELF I through SELF IV loans were all variable-rate loans. The Issuer began offering Fixed-Rate SELF V Loans and Variable-Rate SELF V Loans in October, 2010. In January, 2016, the Issuer also began offering refinancing of student loans under the SELF Refi Program. Currently, all student loans originated by the Issuer are made pursuant to the SELF V phase of the SELF Program or the SELF Refi Program.

Together, MHECB, MHESO, and the Issuer have originated approximately \$2.32 billion of loans under the SELF I, SELF II, SELF III, SELF IV and SELF V phases of the SELF Program and the SELF Refi Program through June 30, 2019. The following table shows the outstanding principal balance of loans originated under the SELF I, SELF II, SELF III, SELF IV and SELF V phases of the SELF Program and under the SELF Refi Program at the dates indicated:

As of June 30,	Outstanding SELF Loan and SELF Refi Loan Balances ¹ (\$ in Thousands)						
	SELF I	SELF II	SELF III	SELF IV	SELF V	SELF Refi	Total
2019	\$ 0	\$ 0	\$ 1,316	\$ 99,872	\$378,091	\$ 21,097	\$500,376
2018	0	0	4,798	136,924	354,589	24,807	521,118
2017	0	3	12,268	180,785	325,548	26,724	518,604
2016	0	190	25,577	230,511	289,224	22,291	545,502
2015	0	1,023	46,470	283,410	247,566	—	578,469
2014	0	3,436	75,535	336,763	210,063	—	625,797
2013	0	8,756	111,093	386,486	163,001	—	669,336
2012	0	18,366	152,156	434,126	102,610	—	707,258
2011	0	34,138	195,824	475,124	21,568	—	726,654
2010	0	56,037	240,259	446,156	—	—	742,452
2009	0	83,012	283,864	353,916	—	—	720,792
2008	0	114,250	328,320	248,630	—	—	691,200
2007	0	151,527	375,487	120,613	—	—	647,627
2006	0	194,312	412,123	—	—	—	606,435
2005	0	240,386	322,308	—	—	—	562,694
2004	1	284,895	205,913	—	—	—	490,808
2003	2	330,223	99,346	—	—	—	429,571
2002	9	369,839	1,524	—	—	—	371,372
2001	32	314,508	—	—	—	—	314,540
2000	198	260,922	—	—	—	—	261,120
1999	849	209,876	—	—	—	—	210,725
1998	2,962	172,788	—	—	—	—	175,750
1997	4,093	168,812	—	—	—	—	172,905
1996	7,113	168,740	—	—	—	—	175,853
1995	11,021	169,468	—	—	—	—	180,489
1994	14,909	162,976	—	—	—	—	177,885
1993	20,428	154,088	—	—	—	—	174,516
1992	24,240	122,809	—	—	—	—	147,049
1991	34,286	85,686	—	—	—	—	119,972
1990	40,724	49,948	—	—	—	—	90,672
1989	46,672	17,993	—	—	—	—	64,665

¹ Reflects only actively serviced SELF Loans and SELF Refi Loans and excludes loans in default status.

The Issuer originates SELF Loans and SELF Refi Loans with the proceeds of revenue bond issues and amounts available in the Loan Capital Fund. Although the Issuer receives federal and state appropriations, the Student Loan Program is required by statute to be self-sustaining, and such appropriations are neither available for use in the Student Loan Program nor available for the payment of principal of and interest on any of the associated revenue bonds (including the Series 2020 Bonds). Notwithstanding the foregoing, appropriations that may be made under Minnesota Statute Section 136A.1787 may be applied to debt service and/or debt service reserve funds. See “SECURITY AND SOURCE OF PAYMENT—Statutory Provisions Providing for Legislative Appropriations” herein.

SELF V Terms and Conditions

The Issuer has promulgated rules and policies for the administration of the SELF Program, including provisions specifying eligible institutions, eligible students, loan size, costs to the borrower, loan disbursement, loan repayment, security for loan repayment and collections. Certain of the terms and conditions relating to the SELF Program are established by Minnesota Statutes and Rules.

The following paragraphs describe the initial terms, conditions and applicable rules and policies pertinent to SELF V. In the past, the Issuer has modified and supplemented terms, conditions, rules and policies on its SELF Program and reserves the right to modify and supplement them relating to SELF V in the future with regard to any SELF V Loans pledged to secure payment of the Bonds, including the Series 2020 Bonds.

Fixed-Rate and Variable-Rate Loans. The SELF V phase is a continuation of the Issuer’s SELF Program that began in 1985. Unlike previous phases of the SELF Program, SELF V offers both fixed-rate and variable-rate loans. Only Fixed-Rate SELF V Loans will be Financed with proceeds of the Series 2020 Bonds or initially pledged to the Trust Estate by the Issuer; however, Variable-Rate SELF V Loans may be Financed with proceeds of additional Bonds or pledged to the Trust Estate by the Issuer in the future. The current interest rate on the Fixed-Rate SELF V Loans is 5.75%. The Indenture permits the Issuer to reduce this rate to 4.85% in its sole discretion and to further reduce this rate upon satisfaction of the requirements of an Event Notification.

The interest rate for Variable-Rate SELF V Loans is set at (a) an index rate of the average prior calendar quarter three month LIBOR rounded to the nearest 1/10th of 1% plus (b) a margin set by the Issuer, which the Issuer may reset as of the first day of each calendar quarter, subject to a maximum adjustment of 3.0% during any 12-month period. The current margin on the Variable-Rate SELF V Loans is 2.00%.

Loan Size. The size of individual loans is determined by the appropriate campus financial aid administrator after giving consideration to: (a) the cost of attendance as defined by the institution; (b) other federal financial aid, including both loans and grants, that have been accepted by the student; (c) other state and institutional financial aid that the student is eligible to receive; and (d) other financial aid known to have been awarded to or received by the student from other private sources. The amount of the SELF V Loan, in combination with student aid from all known sources, will not be allowed to exceed the cost of attendance as defined by the enrolling institution.

Loan Limits. The minimum SELF V Loan amount is \$500. The maximum SELF V Loan amounts are designed to protect students from accumulating unreasonable levels of debt burden. Prior to July 1, 2015, maximum SELF V Loan amounts were:

- (a) for students enrolled in a bachelor’s degree program, post-baccalaureate, or graduate program, the annual loan amount per year was \$10,000, subject to a cumulative maximum

of \$50,000 for non-graduate programs and \$70,000 combined total for non-graduate and graduate programs; and

(b) \$7,500 per year for undergraduates in Non-four-year Schools, subject to a cumulative maximum of \$22,500.

Effective July 1, 2015, the Issuer has the authority to determine the annual and cumulative maximum loan amounts for certain SELF Loans. The following limits are in effect for the 2019-2020 Academic Year:

(a) for students enrolled in a bachelor's degree program, post-baccalaureate, or graduate program, the annual loan amount per year is \$20,000, subject to a cumulative maximum of \$100,000 for non-graduate programs and \$140,000 combined total for non-graduate and graduate programs;

(b) \$7,500 per year for all other students, other than students enrolled in Short-term Programs (any program of less than one Academic Year in length) that either are no less than 8 months or are no less than 900 hours, subject to a cumulative maximum of \$22,500; and

(c) \$3,500 per year for students enrolled in other Short-term Programs, subject to a cumulative maximum of \$7,500 (this limit was first implemented in June 2016).

Borrower Benefits. Although the Issuer has not offered borrower benefits, the Issuer has the option to offer borrower benefits to Borrowers, such as a reduction of 0.25% in the interest rate on SELF V Loans for those borrowers who make automatic ("ACH") payments. The Issuer anticipates that any borrower benefits offered will be offered to all borrowers in the Student Loan Program. Any borrower benefits offered to Borrowers will not exceed the assumptions provided to the Rating Agency in conjunction with the issuance of the Series 2020 Bonds unless the Issuer has complied with the requirements of an Event Notification.

Loan Disbursement. SELF V Loans are disbursed in accordance with applicable periods of enrollment. For example, an applicant eligible to receive a \$20,000 SELF V Loan and attending a two-semester school would usually receive a payment via their school for \$10,000 at the beginning of each semester.

Loan Repayment. The repayment provisions for SELF V Loans have been developed to provide maximum repayment flexibility for the borrower while in school and to maintain the financial integrity of the SELF Program.

Under the standard repayment plan for SELF V Loans, quarterly interest payments begin within three months of first disbursement. Monthly interest payments are then required for 12 months after the borrower leaves school or is no longer enrolled as at least a Half-time Student. Monthly principal and interest payments begin on the thirteenth month after the borrower ceases to be enrolled as at least a Half-time Student or leaves school, unless the borrower has already entered repayment, but no later than nine years after the date of the first loan disbursement of each of a borrower's loans. The SELF V Loan maximum repayment term is (a) 10 years if the loan balances are less than \$20,000; (b) 15 years if the loan balances are \$20,000 or more but less than \$40,000; or (c) 20 years if the loan balances are \$40,000 or more. Repayment terms start after the in-school period ends. The minimum monthly payment for a borrower with one or more SELF V Loans in repayment is \$50.

An additional 24 month period of interest only payments after the standard 12-month grace period is available upon request, subject to the same maximum repayment terms described above. There are no

penalties assessed for prepayment of loans. Interest payments during the in-school period that are delinquent in excess of 120 days from the billing date may be capitalized. Capitalization of past due interest is limited to two occasions before filing a claim.

A forbearance may be granted in those instances when the borrower and cosigner experience hardship in making payments of principal and/or interest. A forbearance is granted upon receipt of a signed request by the borrower and the cosigner. Forbearances are limited to a total of eight months over the life of the loan. The Issuer may change the forbearance policy as it relates to Student Loans subject to satisfying the requirements of an Event Notification.

Whenever a borrower is delinquent in interest or principal payments for more than 30 days, the cosigner will be expected to meet the obligation until such time as the borrower may resume payments. A rehabilitation program is available for borrowers who defaulted on their SELF V Loans, unless such SELF V Loan has been turned over to a collection agency or such SELF V Loan is in default for a second time.

Claims. If after exercising due diligence, and after 120 days from the billing date, the Servicer on behalf of the Issuer fails to collect a payment from a borrower or the cosigner, a claim must be filed to the bad debt reserve by the Issuer for the outstanding principal of the SELF V Loan plus accrued interest. Claims are paid in four categories:

(a) A claim for death of the borrower must be filed by the Issuer upon receipt of a death record. The cosigner's obligation to make any further payment of principal and interest on a SELF V Loan is canceled as of the date of death.

(b) If the borrower becomes totally and permanently disabled, a claim must be filed by the Servicer on behalf of the Issuer upon receipt of proper medical documentation. The borrower's and cosigner's obligation to make any further payment of principal and interest on a SELF V Loan is canceled as of the date of approval of the medical documentation by the Issuer.

(c) If a borrower or cosigner fails to perform any of the conditions of the promissory note, a claim must be filed by the Issuer.

(d) If a borrower is adjudicated bankrupt and has liability for the SELF V Loan discharged, the cosigner remains liable for unpaid principal and interest. If the cosigner fails to perform any of the conditions of the promissory note, the Issuer shall file a claim.

Death and Disability Provisions. The obligation of the borrower and the cosigner to repay the SELF V Loan is forgiven due to the death or total and permanent disability of the borrower. Total and permanent disability means a disability resulting from an injury or illness that is expected to continue indefinitely or result in death and that interferes with the borrower's ability to make loan payments because the borrower is unable to work or earn money, as certified by a doctor of medicine or osteopathic medicine, legally authorized to practice in a state. A borrower is not considered totally and permanently disabled on the basis of a condition that existed at the time the loan was made.

In addition, a borrower is able to apply for temporary total disability status if they have a qualifying disability which is anticipated to last at least four months, but no longer than three years. A borrower who has a temporary total disability is granted a period of nonaccrual of interest upon written request to the Issuer, effective the date the temporary total disability documentation is approved and accepted by the Issuer, if the Issuer determines that the borrower has a temporary total disability and if the temporary total disability of the borrower occurred after all disbursements of the SELF V Loan were made. Interest does

not accrue during an approved nonaccrual of interest period and no payments will be required to be made during this time. A nonaccrual of interest period may be granted for up to one year at a time with a maximum of no more than three years. At the end of the nonaccrual of interest period the borrower must resume payments at an amount necessary to repay the SELF V Loan in the time period required by the promissory note unless a payment extension agreement has been entered into with the Issuer.

Eligible Institutions. An Eligible Institution is defined generally as a postsecondary institution that is located in Minnesota and that:

- (a) is operated by the State or the Board of Regents of the University of Minnesota; or
- (b) is operated privately and, as determined by the Issuer:
 - (i) maintains academic standards equivalent to those of comparable institutions operated in the State;
 - (ii) is licensed or registered as a postsecondary institution by the Issuer; and
 - (iii) participates in the Federal Pell Grant Program under Title IV of the Higher Education Act of 1965, Public Law 89-329, as amended.

An institution not located in Minnesota may qualify as an Eligible Institution if it is approved by the United States Secretary of Education, and, as determined by the Issuer, maintains academic standards substantially equal to those of comparable institutions operated in the State.

There are fewer than 10 institutions participating in the SELF Program that do not participate in the Federal Pell Grant Program and are not required to do so because they were participating institutions when the SELF Program rules were changed in 2010. If any of these institutions changes ownership it must participate in the Federal Pell Grant Program within four calendar years of the ownership change to continue SELF Program eligibility. Institutions only offering graduate-level degrees or graduate-level nondegree programs are not required to participate in the Federal Pell Grant Program and may be Eligible Institutions if licensed by, or registered with, the Issuer.

The chief executive officer of each institution wishing to qualify as an Eligible Institution must enter into an Institutional Participation Agreement with the Issuer in which the institution agrees to comply with the requirements of the Issuer's Student Loan Program including proper loan certification and disbursement of funds. Certification involves verifying and documenting the identity, eligible enrollment, satisfactory academic progress and cost of attendance of each borrower, calculating maximum allowable loan eligibility and recommending a specific loan amount.

Eligible SELF V Borrowers. Borrowers must either be enrolled at an Eligible Institution (as defined above) in the State or be a Minnesota resident enrolled at an Eligible Institution in another state. Borrowers must also:

- (a) be enrolled at least half-time in a program leading to a certificate, associate, baccalaureate, masters, doctorate or other professional degree;
- (b) be making satisfactory progress in an approved course of study;
- (c) not currently be in default under any state, federal or other student loan program;

- (d) not be delinquent in the payment of principal of or interest on any SELF Loan;
- (e) have agreed to the release of information to a consumer credit reporting agency;
- (f) be a Minnesota resident or physically attending classes in Minnesota; and
- (g) have a cosigner, as defined below.

Cosigner Credit Criteria. The Issuer underwrites each loan and assesses the creditworthiness of the cosigner. The cosigner must:

- (a) be a U.S. citizen or lawful permanent resident, and permanently reside in the United States;
- (b) be at least 24 years old, or 18 years old if a sibling of the borrower;
- (c) have agreed to the release of information to a consumer credit reporting agency;
- (d) have no credit bureau balances discharged through bankruptcy;
- (e) have no garnishments, attachments, foreclosures, repossessions or suits;
- (f) have no more than \$300 combined total in unsatisfied credit or unsatisfied payment obligations such as charged-off loans, credit, medical, utility accounts, collection items and tax or mechanics liens; and
- (g) have no more than 5% of total credit bureau balances past due, unless the amount past due is \$300 or less.

SELF Refi Program Terms and Conditions

The SELF Refi Program disbursed the first loans in 2016. The SELF Refi Program offers both fixed-rate and variable-rate loans. The Issuer has the ability to make changes in the terms and conditions of the program other than the maximum loan limit which is established in statute. In the past, the Issuer has modified and supplemented terms, conditions or policies on its SELF Refi Program and reserves the right to modify and supplement them relating to the SELF Refi Program in the future with regard to all Student Loans pledged to secure payment of the Bonds, including the Series 2020 Bonds. It is not anticipated that SELF Refi Loans will be Financed with proceeds of the Series 2020 Bonds or initially pledged to the Trust Estate by the Issuer; however, fixed-rate or variable-rate SELF Refi Loans may be Financed with proceeds of additional Bonds or pledged to the Trust Estate by the Issuer in the future.

Loan Limits. The minimum SELF Refi Loan amount is \$10,000. The maximum SELF Refi Loan amount is currently prescribed by statute at \$70,000. The Issuer further restricts the amount to \$25,000 for borrowers who complete less than a four-year degree.

Borrower Benefits. The same borrower benefits could be implemented for the SELF Refi Program as for SELF V. In addition, the SELF Refi Program has an option to have the loan reviewed for cosigner release after 48 consecutive on-time payments. The borrower must be a U.S. citizen and meet the credit criteria in existence at the time of the release request.

Loan Repayment. The borrower has the option to select a 5, 10 or 15 year repayment term based on the borrower's debt-to-income qualification. SELF Refi Loans enter immediate repayment after

disbursement, and there are no deferment options. Forbearances are limited to a total of eight months over the life of the loan.

Eligible Loans for Refinancing. Loans to be refinanced include federal loans and private loans that meet the federal definition of a “qualified student loan.”

Eligible SELF Refi Borrowers. The borrower must meet eligibility requirements established by the Issuer including FICO Score benchmarks and maximum debt-to-income ratios. The borrower may be required to have a cosigner if unable to meet the individual eligibility criteria. Such eligibility criteria may be changed by the Issuer.

Cosigner Eligibility Criteria. The Issuer underwrites each SELF Refi Loan and, if a cosigner is required, assesses the creditworthiness of the cosigner using FICO score benchmarks and maximum debt-to-income ratios. The cosigner must be a U.S. citizen or permanent resident. Such eligibility criteria may be changed by the Issuer.

Historical FICO Scores for SELF Loans

The Issuer began collecting FICO Scores for cosigners in 2009. The following table sets forth the cosigner FICO Scores for SELF Loans originated between January 1, 2009 and November 30, 2019, excluding SELF Refi Loans.

**SELF Loan Origination History by Cosigner FICO Score at Origination since 2009⁽¹⁾
As of November 30, 2019**

Cosigner FICO Score at Origination⁽²⁾	Number of Loans	Outstanding Balance (Millions)	Percent of Loans by Outstanding Balance
No FICO	652	\$ 2,226,286.37	0.51%
600 or Lower	2,905	14,805,329.76	3.41
601 to 650	4,869	26,189,440.25	6.03
651 to 700	14,239	77,995,997.85	17.94
701 to 750	24,014	132,865,542.82	30.57
751 or Higher	<u>35,201</u>	<u>180,584,018.19</u>	<u>41.55</u>
Total	<u>81,880</u>	<u>\$434,666,615.24</u>	<u>100.00%</u>

⁽¹⁾ Reflects only actively serviced SELF Loans and excludes SELF Loans in default status; no such SELF I Loans remained outstanding as of June 30, 2015 and no such SELF II Loans remained outstanding as of June 30, 2018.

⁽²⁾ Cosigner FICO Score is based upon the most recent SELF Loan received.

Delinquency Experience for SELF I through SELF IV and SELF V Loans

The following tables set forth, with regard to SELF I through SELF IV Loans and to SELF V Loans, borrower delinquencies as of June 30 for the years 2015 through 2019. Such information, with respect to all SELF I through SELF IV Loans and to SELF V Loans that are not Student Loans, is included for general reference purposes only and is not intended as a representation that the payment experience of the Student Loans, which will initially include only Fixed-Rate SELF V Loans, will be similar to that of previously originated SELF I through SELF IV Loans and SELF V Loans that are not Student Loans (particularly Variable-Rate SELF V Loans) during any period or over the respective lives of such loans. There can be no assurance that future borrower delinquencies for the SELF III, SELF IV and SELF V Loans

reflected will be similar to the historical experience set forth below, or that future Borrower delinquencies for the Student Loans included, and to be included, in the Trust Estate will be similar to such historical experience. In particular, changes in the level of interest rates may affect the performance of Fixed-Rate SELF V Loans and that of variable-rate SELF Loans differently See “INVESTMENT CONSIDERATIONS—Limited Performance History for the Student Loans; Performance of Student Loans May Differ from Historical Performance of Previous SELF Loans” herein.

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Delinquencies for the SELF I through SELF IV Loans⁽¹⁾

Days Delinquent	June 30, 2019		June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Current	\$ 97,216,012	96.1%	\$135,218,595	95.4%	\$183,678,501	95.2%	\$242,567,797	94.6%	\$273,831,402	92.8%
15-29	1,239,459	1.2	2,408,465	1.7	3,150,872	1.6	4,635,944	1.8	7,538,648	2.6
30-44	1,301,534	1.3	1,934,343	1.4	2,852,137	1.5	4,492,968	1.8	6,555,176	2.2
45-59	530,145	0.5	646,158	0.5	933,318	0.5	1,471,284	0.6	2,760,937	0.9
60-89	543,175	0.5	795,878	0.6	1,364,190	0.7	1,629,104	0.6	2,288,973	0.8
90-119	217,746	0.2	361,039	0.3	489,892	0.3	803,307	0.3	1,280,639	0.4
120 and Over	144,763	0.1	321,376	0.2	554,512	0.3	721,707	0.3	755,535	0.3
Total	<u>\$101,192,834</u>	<u>100.0%</u>	<u>\$141,685,854</u>	<u>100.0%</u>	<u>\$193,023,422</u>	<u>100.0%</u>	<u>\$256,322,111</u>	<u>100.0%</u>	<u>\$295,011,308</u>	<u>100.0%</u>

⁽¹⁾ Reflects only actively serviced SELF Loans and excludes SELF Loans in default status; no such SELF I Loans remained outstanding as of June 30, 2015 and no such SELF II Loans remained outstanding as of June 30, 2018.

Delinquencies for the SELF V Loans⁽¹⁾

Days Delinquent	June 30, 2019		June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Current	\$355,913,000	94.1%	\$332,434,505	93.8%	\$303,976,540	93.4%	\$268,973,701	93.0%	\$229,151,481	92.6%
15-29	6,954,448	1.8	7,383,643	2.1	8,041,548	2.5	8,598,737	3.0	7,329,539	3.0
30-44	6,200,967	1.6	5,857,487	1.7	5,474,982	1.7	4,933,169	1.7	4,831,027	2.0
45-59	3,671,131	1.0	3,613,239	1.0	3,357,914	1.0	2,681,112	0.9	2,693,618	1.1
60-89	2,985,722	0.8	2,611,686	0.7	2,189,134	0.7	1,704,583	0.6	1,810,826	0.7
90-119	1,562,469	0.4	1,146,038	0.3	1,275,348	0.4	1,330,519	0.5	1,085,868	0.3
120 and Over	917,523	0.2	1,338,202	0.3	1,018,468	0.3	968,033	0.3	612,166	0.2
Total	<u>\$378,205,260</u>	<u>100.0%</u>	<u>\$354,384,800</u>	<u>100.0%</u>	<u>\$325,333,934</u>	<u>100.0%</u>	<u>\$289,189,854</u>	<u>100.0%</u>	<u>\$247,514,525</u>	<u>100.0%</u>

⁽¹⁾ Reflects only actively serviced SELF Loans and excludes SELF Loans in default status.

Historical Loss Experience for SELF Loans

The following tables set forth historical borrower default and recovery experience, with regard to SELF I through SELF IV Loans and to SELF V Loans. Such information, with respect to all SELF I Loans through SELF IV Loans and to SELF V Loans that are not Student Loans, is included for general reference purposes only and is not intended as a representation that the default and recovery experience of the Student Loans, which will initially include only Fixed-Rate SELF V Loans, will be similar to that of previously originated SELF I through SELF IV Loans and SELF V Loans that are not Student Loans (particularly Variable-Rate SELF V Loans) during any period or over the respective lives of such loans. There can be no assurance that future borrower delinquencies for the SELF III, SELF IV and SELF V Loans reflected will be similar to the historical experience set forth below, or that future Borrower delinquencies for the Student Loans included, and to be included, in the Trust Estate will be similar to such historical experience. In particular, changes in the level of interest rates may affect the performance of Fixed-Rate SELF V Loans and that of Variable-Rate SELF Loans differently. See “INVESTMENT CONSIDERATIONS—Limited Performance History for the Student Loans; Performance of Student Loans May Differ from Historical Performance of Previous SELF Loans” herein.

The tables that follow set forth, with regard to all SELF Loans originated by the Issuer since the beginning of its 1990 fiscal year, the amount of such loans that have defaulted and the amount of such defaults that have been recovered.

**Cumulative Loan Origination, Default and Recovery Experience for SELF Loans
July 1, 1990 through September 30, 2019**

\$ Amount of SELF Loans Originated	\$ Amount of SELF Loans Defaulted	\$ Amount of Defaults Due to Death or Disability⁽¹⁾	Gross Cumulative Defaults (\$)⁽²⁾	Gross Cumulative Default Rate (%)⁽²⁾	\$ Amount of Net Defaults Recovered	Default Recovery Rate (%)⁽²⁾	\$ Amount of Net Defaults Not Recovered	Net Cumulative Default Rate (%)⁽²⁾
\$2,228,608,968	\$123,377,902	\$5,701,756	\$117,676,146	5.3%	\$87,009,230	73.9%	\$30,666,916	1.4%

⁽¹⁾ This portion of defaults is forgiven, and therefore not eligible for recovery;

⁽²⁾ Excludes defaults due to death or disability.

As shown in the table above, of the \$2.23 billion of SELF Loans the Issuer has originated since 1990 a total of approximately \$117.7 million (excluding defaults due to death or disability), or 5.3% of loans originated have defaulted through September 30, 2019. Of this gross default amount, approximately \$87 million had been recovered through September 30, 2019, which translates to a cumulative recovery rate of 73.9% and a net cumulative default rate of 1.4%.

The table set forth below provides additional information regarding the Issuer’s historical loss experience for SELF Loans on a “static pool” basis for the 21 most recent fiscal years of disbursement, beginning with loans originated during the Issuer’s 1999 fiscal year.

Static Pool Default Analysis for SELF Loans
July 1, 1999 through September 30, 2019

Fiscal Year of Disbursement	Principal Balance at Origination	Total Defaulted Principal⁽¹⁾	Defaults as % of Repayment Balance⁽¹⁾	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15+
1999	\$ 70,614,776	\$4,712,872	6.7%	0.10%	1.07%	2.34%	3.47%	4.47%	5.22%	5.68%	6.05%	6.29%	6.43%	6.53%	6.59%	6.63%	6.65%	6.67%
2000	87,973,466	6,727,441	7.6	0.14	1.49	2.95	4.25	5.27	6.02	6.61	6.96	7.21	7.38	7.48	7.56	7.61	7.62	7.65
2001	98,848,509	7,213,809	7.3	0.17	1.47	2.87	3.96	4.97	5.75	6.24	6.58	6.82	7.02	7.14	7.21	7.24	7.27	7.30
2002	105,447,211	7,478,011	7.1	0.19	1.60	2.76	3.84	4.85	5.54	6.01	6.37	6.61	6.80	6.92	6.99	7.04	7.06	7.09
2003	108,993,009	7,103,150	6.5	0.17	1.09	2.25	3.29	4.26	4.94	5.40	5.78	6.03	6.21	6.34	6.44	6.47	6.51	6.52
2004	117,842,081	7,589,836	6.4	0.14	1.18	2.49	3.47	4.37	4.93	5.33	5.70	5.95	6.15	6.30	6.36	6.41	6.43	6.44
2005	137,244,505	8,622,759	6.3	0.20	1.26	2.41	3.39	4.12	4.72	5.24	5.58	5.84	6.01	6.12	6.21	6.26	6.28	6.28
2006	128,341,422	8,257,003	6.4	0.29	1.46	2.63	3.59	4.28	4.97	5.46	5.79	6.02	6.20	6.32	6.38	6.42	6.43	6.43
2007	137,163,353	9,118,176	6.6	0.22	1.34	2.44	3.41	4.25	5.04	5.52	5.91	6.21	6.40	6.54	6.60	6.65	6.65	-
2008	144,087,539	9,414,498	6.5	0.17	1.28	2.44	3.43	4.27	4.92	5.44	5.90	6.18	6.35	6.46	6.53	6.53	-	-
2009	127,806,733	8,195,997	6.4	0.21	1.22	2.32	3.33	4.17	4.90	5.51	5.88	6.11	6.26	6.41	6.41	-	-	-
2010	120,103,073	7,700,371	6.4	0.21	1.25	2.47	3.41	4.33	5.08	5.57	5.92	6.21	6.41	6.41	-	-	-	-
2011	85,887,381	5,206,370	6.1	0.28	1.55	2.48	3.30	4.07	4.75	5.36	5.82	6.06	6.06	-	-	-	-	-
2012	86,540,792	4,027,733	4.7	0.36	1.12	1.86	2.58	3.30	3.77	4.27	4.64	4.65	-	-	-	-	-	-
2013	69,409,690	3,055,662	4.4	0.34	1.10	1.99	2.75	3.36	3.92	4.38	4.40	-	-	-	-	-	-	-
2014	60,849,630	2,525,355	4.2	0.29	1.23	2.17	2.99	3.60	4.14	4.15	-	-	-	-	-	-	-	-
2015	55,245,687	1,776,735	3.2	0.23	1.04	1.94	2.65	3.22	3.22	-	-	-	-	-	-	-	-	-
2016	68,164,993	2,197,558	3.2	0.37	1.22	2.36	3.22	3.22	-	-	-	-	-	-	-	-	-	-
2017	67,347,613	1,423,767	2.1	0.25	1.20	2.11	2.11	-	-	-	-	-	-	-	-	-	-	-
2018	66,894,295	731,519	1.1	0.16	1.08	1.09	-	-	-	-	-	-	-	-	-	-	-	-
2019	67,329,127	75,606	0.1	0.09	0.11	-	-	-	-	-	-	-	-	-	-	-	-	-

⁽¹⁾ Includes defaults due to death or disability.

THE STUDENT LOANS

The Student Loans expected to be pledged to the Trust Estate upon the issuance of the Series 2020 Bonds and completion of the initial application of the sale proceeds thereof as described herein are fixed-rate loans originated pursuant to SELF V. See “PLAN OF FINANCING” “INVESTMENT CONSIDERATIONS—Certain Amendments to the Indenture and Other Actions Upon an Event Notification or Consent of Fewer Than All Owners” and “STUDENT LOAN PROGRAM” herein.

The following tables describe, as of November 30, 2019, certain characteristics of the Student Loans that are currently pledged to the Trust Estate and the Student Loans expected to be pledged to the Trust Estate upon the completion of the transfers described in the first paragraph under the caption “PLAN OF FINANCING” herein and that were originated on or prior to such date, including both currently pledged Student Loans and approximately \$34,000,000 of the approximately \$35,000,000 of additional Student Loans expected to be transferred to the Trust Estate as therein described. The sum of the dollar amounts or percentages set forth in certain such tables may not add up to the total therefor in the following tables due to rounding.

The Issuer expects that the characteristics of such additional Student Loans, when actually pledged, will vary from these tables due to the continued amortization of such Student Loans between November 30, 2019 and the date of issuance of the Series 2020 Bonds. The Issuer further expects to effect the pledge of approximately \$1,000,000 in aggregate principal amount of other additional Student Loans on or about the date of issuance of the Series 2020 Bonds and to pledge approximately \$39,000,000 of other additional Student Loans during the Loan Origination Period. The Issuer does not expect any variations between the characteristics of such additional Student Loans and those reflected in these tables to materially affect the performance of the Student Loans to be pledged to the Trust Estate as a whole or the sufficiency thereof to fund the timely payment of debt service on the Bonds and other Trust Estate requirements.

Composition of the Student Loans As of November 30, 2019

Aggregate Outstanding Principal Balance	\$99,691,894
Total Number of Borrowers	12,596
Average Outstanding Principal Balance per Borrower	\$7,915
Total Number of Loans	15,288
Average Outstanding Principal Balance per Loan	\$6,521
Weighted Average Borrower Interest Rate	6.13%
Weighted Average Remaining Term (months)	159.79
Weighted Average Interim Months ⁽¹⁾	25.96
Weighted Average Payments Made (months)	35.70
Weighted Average FICO Score	727.00

⁽¹⁾ Average expected period during which the Student Loans will remain in School, Grace or Extended Grace status.

**Distribution of the Student Loans by Borrower Repayment Status
As of November 30, 2019**

<u>Borrower Repayment Status</u>	<u>Number of Loans</u>	<u>Outstanding Balance</u>	<u>Percent of Loans by Outstanding Balance</u>
School ⁽¹⁾	8,637	\$64,157,683	64.4%
Repayment ⁽³⁾	4,347	19,421,367	19.5
Grace or Extended Grace ⁽¹⁾	2,284	15,960,632	16.0
Forbearance ⁽²⁾	20	152,211	.2
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

⁽¹⁾ Interest-only payments are required during School status, Grace status and Extended Grace status.

⁽²⁾ No payments are required during Forbearance status.

⁽³⁾ Principal and interest payments are required during Repayment status.

**Distribution of the Student Loans by Remaining Term to Scheduled Maturity
As of November 30, 2019**

<u>Remaining Months Until Scheduled Maturity</u>	<u>Number of Loans</u>	<u>Outstanding Balance</u>	<u>Percent of Loans by Outstanding Balance</u>
0 to 24	153	\$ 126,441	0.1%
25 to 36	423	732,518	0.7
37 to 48	427	936,645	0.9
49 to 60	373	916,647	0.9
61 to 72	365	1,149,805	1.2
73 to 84	425	1,483,094	1.5
85 to 96	557	2,203,802	2.2
97 to 108	958	4,606,703	4.6
109 to 120	5,175	30,711,417	30.8
121 to 132	295	1,550,160	1.6
133 to 144	174	957,074	1.0
145 to 156	122	773,580	0.8
157 to 168	343	2,449,826	2.5
169 to 180	3,552	29,568,401	29.7
181 to 192	45	282,044	0.3
193 to 220	51	388,844	0.4
221 to 260	<u>1,850</u>	<u>20,854,893</u>	<u>20.9</u>
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

**Distribution of the Student Loans by Borrower Interest Rate
As of November 30, 2019**

Borrower Interest Rate	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
5.75%	3,332	\$18,677,690	18.7%
6.00%	8,124	65,695,581	65.9
6.50%	355	2,046,288	2.1
7.25%	<u>3,477</u>	<u>13,272,335</u>	<u>13.3</u>
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

**Distribution of the Student Loans by Payment Delinquency Status
As of November 30, 2019**

Payment Delinquency	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
0 to 30 days	14,826	\$96,747,717	97.0%
31 to 60 days	226	1,352,902	1.4
61 or more days	<u>236</u>	<u>1,591,275</u>	<u>1.6</u>
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

**Distribution of the Student Loans by School Type
As of November 30, 2019**

School Type	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Four Year ⁽¹⁾	13,357	\$90,863,910	91.1%
Two Year ⁽²⁾	1,214	5,711,225	5.7
Proprietary ⁽³⁾	617	2,492,122	2.5
Graduate	<u>100</u>	<u>624,638</u>	<u>0.6</u>
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

⁽¹⁾ Includes public, private nonprofit and for profit schools predominately offering 4-year degrees.

⁽²⁾ Includes public, private nonprofit and for profit schools predominately offering diplomas, certificates or 2-year degrees.

⁽³⁾ Includes for-profit vocational schools that do not predominately offer 2-year, 4-year or graduate degrees.

Distribution of the Student Loans by Loan Principal Balance
As of November 30, 2019

Loan Principal Balance	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Less than \$500	159	\$ 48,075	0.0%
\$500 to \$999	437	345,824	0.3
\$1,000 to \$1,999	1,273	1,992,547	2.0
\$2,000 to \$2,999	1,603	4,038,614	4.1
\$3,000 to \$3,999	1,800	6,329,603	6.3
\$4,000 to \$5,999	2,983	14,923,897	15.0
\$6,000 to \$7,999	2,746	19,359,701	19.4
\$8,000 to \$9,999	1,660	15,092,244	15.1
\$10,000 to \$14,999	1,665	19,994,145	20.1
\$15,000 to \$19,999	860	15,522,684	15.6
\$20,000 to \$24,999	<u>102</u>	<u>2,044,560</u>	<u>2.1</u>
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

Geographic Distribution of the Student Loans
As of November 30, 2019¹

Geographic Location	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Minnesota	13,411	\$88,020,520	88.3%
Wisconsin	864	5,543,039	5.6
Other ²	<u>1,013</u>	<u>6,128,335</u>	<u>6.1</u>
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

¹ Reflects most recent mailing address for servicing purposes.

² All Student Loans in states or foreign countries that individually have less than 1.5% of total number of Student Loans.

**Distribution of the Student Loans by Number of Months Since Origination
As of November 30, 2019**

Number of Months Since Origination	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
0 to 12 months	4,772	\$27,031,077	27.1%
13 to 24 months	4,069	34,448,318	34.6
25 to 60 months	2,946	24,861,176	24.9
61 to 72 months	0	0	0.0
More than 72 months	<u>3,501</u>	<u>13,351,322</u>	<u>13.4</u>
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

**Distribution of the Student Loans by Cosigner FICO Score at Origination⁽¹⁾
As of November 30, 2019**

Cosigner FICO Score at Origination⁽¹⁾	Number of Loans	Outstanding Balance	Percent of Loans by Outstanding Balance
Less than 670	1,969	\$13,822,576	13.9%
670 to 699	2,073	13,683,594	13.7
700 to 739	3,831	25,238,634	25.3
740 to 850	7,328	46,331,707	46.5
Unknown	<u>87</u>	<u>615,383</u>	<u>0.6</u>
Total	<u>15,288</u>	<u>\$99,691,894</u>	<u>100.0%</u>

⁽¹⁾ Cosigner FICO Score is based upon the most recent SELF V Loan received.

LOAN SERVICING AND COLLECTIONS

Servicer

The Issuer has contracted with Nelnet Servicing, LLC (“Nelnet Servicing”) to service the loans originated pursuant to its SELF Program and its SELF Refi Program. The expiration date of the agreement with Nelnet Servicing (the “Nelnet Servicing Agreement”) is April 30, 2023, unless extended an additional five years to April 30, 2028; provided, however, the Issuer or Nelnet Servicing may terminate the Nelnet Servicing Agreement upon 180 days’ notice, and the Issuer may terminate the Nelnet Servicing Agreement if Nelnet Servicing refuses or fails to perform in a material fashion any part of its obligations thereunder and fails or refuses to correct said action or lack of action within 60 days after receipt of written notice. Termination of the Nelnet Servicing Agreement, other than for non-performance, requires the payment of deconversion fees by the Issuer. The Issuer has the right, under the Indenture, to appoint a different or successor Servicer of the Student Loans, subject to satisfaction of the requirements of an Event Notification as to such successor or additional Servicer.

While the Issuer’s staff is primarily responsible for SELF Loan origination processing and defaulted loan collections, Nelnet Servicing is responsible for disbursing SELF Loans, originating and

disbursing SELF Refi Loans and for effecting billing procedures, which commence with the first interest payment, and payment processing.

Nelnet Servicing, LLC

The following statement has been provided to the Issuer by Nelnet Servicing, LLC for inclusion herein. Such information has not been independently verified by any of the Issuer, the Underwriters, their respective counsel or Bond Counsel. The inclusion of such information is not intended, and should not be construed, as a representation by any such person as to the accuracy or completeness.

Nelnet Servicing, LLC, d/b/a Firstmark Services (“Nelnet Servicing”), a Nebraska limited liability company, is the Servicer. Nelnet Servicing is a subsidiary of Nelnet, Inc. (“Nelnet”). Nelnet began its education loan servicing operations on January 1, 1978, and provides, through its subsidiaries, student loan servicing that includes application processing, underwriting, fund disbursement, customer service, account maintenance, federal reporting and billing, payment processing, default aversion, claim filing and delinquency servicing services. These activities are performed internally for Nelnet, Inc.’s portfolio and for third party clients. Nelnet, Inc. has offices located in, among other cities, Aurora, Colorado, Madison, Wisconsin, and Lincoln, Nebraska. On February 7, 2018, Nelnet acquired 100 percent of the outstanding stock of Great Lakes Educational Loan Services, Inc. (Great Lakes). Our combined organization is now made up of approximately 6,400 associates. As of December 31, 2018, the combined companies serviced \$464.6 billion of loans for 15.6 million borrowers. Nelnet Servicing’s due diligence schedule is conducted through automated letter generation. Telephone calls are made using automatic dialing systems where available and appropriate pursuant to applicable law. All functions are monitored by an internal quality control system to ensure their performance. Compliance training is provided on both centralized and unit level basis. In addition, Nelnet Servicing has distinct compliance and internal auditing departments whose functions are to advise and coordinate compliance issues.

Nelnet Servicing Agreement

General. The Nelnet Servicing Agreement relates to all the Issuer’s student loans, including the Student Loans, serviced by Nelnet Servicing on behalf of the Issuer. Pursuant to the Nelnet Servicing Agreement, Nelnet Servicing agrees to originate, disburse and service the SELF Loans and SELF Refi Loans in accordance with the Nelnet Servicing Agreement and all applicable rules and policies of the Issuer with respect to SELF Loans and SELF Refi Loans, including without limitation, the Minnesota Statutes Chapter 136A and the rules of the SELF Program and the SELF Refi Program.

Indemnification. Nelnet Servicing is required to indemnify and hold the Issuer harmless from all loss, liability and expense (including reasonable attorney’s fees and expenses of litigation) arising out of or relating to Nelnet Servicing’s acts or omissions with regard to the performance of services under the Nelnet Servicing Agreement (collectively “Losses”); provided, however, that Nelnet Servicing shall not be liable to the Issuer for Losses incurred by the Issuer in connection with Nelnet Servicing’s performance of such services except where such Losses are the direct result of Nelnet Servicing’s negligence or willful misconduct and then only to the extent that the failure to repay any SELF Loans and SELF Refi Loans results in a loss by the Issuer. Nelnet Servicing will not be liable for any loss resulting from its execution of any instructions from the Issuer or from the Nelnet Servicing’s compliance with any federal or state law or with the rules and policies of the Issuer. The Issuer’s liability is governed by the provisions of the Minnesota Tort Claims Act, Minnesota Statute § 3.736 *et seq.*

Custodianship. Nelnet Servicing agrees to act as bailee for the Trustee with respect to each promissory note evidencing a Student Loan Financed or pledged under the Indenture as collateral for the Bonds, including the Series 2020 Bonds. Nelnet Servicing will maintain essential original information and

system records on its system for the Student Loans segregated from any other loans of Nelnet Servicing or any other party and clearly labeled so as to identify such Student Loans as the property of the Issuer and pledged to the Trust Estate as security for the Bonds, including the Series 2020 Bonds.

Assignment of the Nelnet Servicing Agreement. Nelnet Servicing may neither assign nor transfer any rights or obligations under the Nelnet Servicing Agreement without the prior consent of the Issuer. If, in exercising the security interest granted by the Issuer pursuant to the Indenture, the Trustee becomes the owner of any Student Loans, Nelnet Servicing will continue to service such Student Loans pursuant to the Nelnet Servicing Agreement as long as the Trustee pays the fees due thereunder (which would be paid from the Revenues within the Indenture) and performs the obligations of the Issuer thereunder.

Amendment of the Nelnet Servicing Agreement. No amendment, modification, termination or waiver of any provision of the Nelnet Servicing Agreement may be made unless the same is in writing signed by the party to be bound, subject to the obligations of the Issuer in the Indenture.

Delinquency Procedures. If a borrower becomes delinquent in the payment of a SELF Loan or a SELF Refi Loan, the Servicer institutes collection procedures with both the borrower and cosigner (as applicable), including computer generated late notices and letters, telephone contact and other collection procedures.

A payment notice is sent electronically or by United States Postal Service to each borrower at least 20 days prior to the payment due date. If the payment is not received by the due date, the payment is considered late. The following summarizes the steps the Servicer takes to cure a delinquent loan:

# of Days Delinquent	Action Performed by Servicer
16 Days Late	Notice is sent to borrower
30 Days Late	Notice is sent to the borrower and cosigner; telephone call to borrower
45 Days Late	Telephone call(s) to borrower and cosigner
60 Days Late	Letter to both borrower and cosigner
75 Days Late	Telephone call(s) to borrower and cosigner
90 Days Late	Notice of demand for payment to borrower and cosigner; telephone call(s) to borrower and cosigner
105 Days Late	Demand letters sent to both borrower and cosigner (printed on Issuer letterhead)
110 Days Late	Telephone call(s) to borrower and cosigner
120 Days Late	Servicer starts the claim process on borrower and cosigner

Issuer's Default Collection Procedures

Once a SELF Loan or a SELF Refi Loan has become a defaulted loan, the Issuer will take one or more of the following actions:

- (a) work to effect repayment through the Minnesota Revenue Recapture Act (under which the borrower and/or the cosigner's State income tax, State lottery winnings and property tax refunds and other refunds may in certain circumstances be diverted to the Issuer to repay amounts owed relating to a defaulted SELF Loan or SELF Refi Loan);
- (b) take legal action against the borrower for repayment;
- (c) take legal action against the cosigner for repayment;

- (d) report the borrower's defaulted loan to the credit bureau;
- (e) report the cosigner's default to the credit bureau; and/or
- (f) turn the account over to the Minnesota Department of Revenue.

For purposes of the Issuer's default collection procedures, a defaulted loan is a loan as to which the principal or interest has remained unpaid for 120 days or more and the borrower or cosigner has not fulfilled the Issuer's requirement to bring the loan current. A loan is generally charged-off after the principal or interest has remained unpaid for 165 days.

TAX MATTERS

General Matters

In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and State of Minnesota laws, regulations, rulings and judicial decisions, interest on the Series 2020 Bonds is excludable from gross income for federal income tax purposes and is excluded, to the same extent, in computing both gross income and net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). The opinion described above assumes the accuracy of certain representations and compliance by the Issuer with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2020 Bonds. Failure to comply with such requirements could cause interest on the Series 2020 Bonds to be included in gross income for federal and state income tax purposes retroactive to the date of issuance of the Series 2020 Bonds. The Issuer has covenanted to comply with such requirements. In the opinion of Bond Counsel, interest on the Series 2020 Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and the Minnesota alternative minimum tax applicable to individuals, estates or trusts. Bond Counsel has expressed no opinion regarding other federal or state tax consequences arising with respect to the Series 2020 Bonds.

The accrual or receipt of interest on the Series 2020 Bonds may otherwise affect the federal or state income tax liability of the owners of the Series 2020 Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2020 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2020 Bonds.

A copy of the form of opinion of Bond Counsel is attached as APPENDIX D hereto.

Original Issue Premium

The Series 2020 Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the

purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal and state income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal and state income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2020 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2020 Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2020 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal or state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2020 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2020 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2020 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2020 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2020 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2020 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2020 BONDS AS TO THE IMPACT OF THE CODE AND STATE OF MINNESOTA LAW UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2020 BONDS.

UNDERWRITING

Subject to the terms and conditions to be set forth in a Bond Purchase Agreement (the "Bond Purchase Agreement"), between the Issuer and BofA Securities, Inc., as representative of the underwriters identified on the front cover hereof (each, an "Underwriter" and, collectively, the "Underwriters"), the Underwriters have agreed to purchase the Series 2020 Bonds at a price equal to the aggregate principal amount of the Series 2020 Bonds (adjusted for any applicable initial issue discount or initial issue premium).

The initial public offering prices of the Series 2020 Bonds set forth on the inside front cover page may be changed without notice by the Underwriters. The Bond Purchase Agreement provides that the Underwriters shall be paid an underwriting fee equal to \$431,903.27. The Underwriters may offer and sell the Series 2020 Bonds to certain dealers (including dealers depositing Series 2020 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the offering prices set forth on the inside front cover page hereof.

BofA Securities, Inc., as an Underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

US Bancorp is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as an Underwriter of the Series 2020 Bonds, and U.S. Bank National Association, which is serving as Trustee for the Series 2020 Bonds.

The Issuer has agreed to indemnify the Underwriters in the Bond Purchase Agreement to the extent permitted by law and, under certain limited circumstances, the Underwriters will indemnify the Issuer, against certain civil liabilities, including liabilities under the Securities Act.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the Series 2020 Bonds, other Bonds or other debt obligations of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

MUNICIPAL ADVISOR

The Issuer has retained SL Capital Strategies LLC, as municipal advisor (the “Municipal Advisor”), in connection with the issuance of the Series 2020 Bonds. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Series 2020 Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2020 Bonds was based on materials provided by the Issuer and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated or otherwise verified the information provided by the Issuer or the information set forth in this Official Statement or any other information available to the Issuer with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or contesting the validity of the Series 2020 Bonds or any proceedings of the Issuer taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2020 Bonds or the existence or powers of the Issuer.

RATING

The Series 2020 Bonds are expected to be rated “AA(sf)” by S&P Global Ratings (“S&P”). Such rating reflects only the view of S&P and an explanation of the significance of such rating can only be obtained from S&P. Assignment of such rating is a precondition to the issuance of the Series 2020 Bonds.

No assurance can be given that such rating will be continued for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect upon the market price or the marketability of the Series 2020 Bonds.

LEGAL MATTERS

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the SEC (the “Rule”), the Issuer will enter into a continuing disclosure agreement with respect to the Series 2020 Bonds (the “Continuing Disclosure Agreement”) setting forth the undertaking of the Issuer regarding continuing disclosure with respect to the Series 2020 Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in APPENDIX E hereto. The Issuer believes it is in material compliance with its filings on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) over the past five years. The Issuer took prompt and appropriate action to cure certain instances of late filings of audited financial statements, operating data, event notices and filings of notices of such instances that initially were improperly filed in accordance with the Rule upon becoming aware of them in March 2018 and believes that its current continuing disclosure practices are adequate to assure future timely compliance.

Availability of Other Issuer Information

The Issuer has covenanted in the Indenture to make certain periodic information publicly available with respect to the Trust Estate no less frequently than quarterly, commencing with the calendar quarter ending June 30, 2020. The information required to be so made available is set forth in the Second Supplement, and includes, among other items, outstanding Bond balances, loan portfolio characteristics, Fund and Account balances, the Class I Bonds Parity Ratio, and loan portfolio performance. The Issuer has reserved the right, however: (a) to determine the format in which such periodic information is presented; and (b) to make such periodic information available either by providing such information through EMMA or by posting such information on the Issuer’s own publicly accessible website. Failure to comply with the foregoing provisions of the Indenture shall not constitute an Event of Default. However, to the extent permitted by law, any Owner may seek a court order for specific performance by the Issuer to comply with such provisions and to compel the Issuer to perform and carry out its obligations in this regard; provided, however, that the sole remedy for a failure to comply with these provisions shall be limited to an action to compel specific performance of such obligations and shall not include any rights to monetary damages.

Legal Opinions

The Series 2020 Bonds will be approved as to legality and certain other matters by Kutak Rock LLP, as Bond Counsel to the Issuer. All opinions with respect to enforceability of documents will contain an exception as to enforceability thereof being limited by federal and state laws, rulings and decisions affecting remedies and by bankruptcy, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights.

MINNESOTA OFFICE OF HIGHER EDUCATION

By /s/ Dennis Olson, Jr.
Commissioner

APPENDIX A

**FINANCIAL STATEMENTS OF THE MINNESOTA OFFICE OF HIGHER EDUCATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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MINNESOTA OFFICE OF HIGHER EDUCATION

(A Component Unit of the State of Minnesota)

Saint Paul, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2019

MINNESOTA OFFICE OF HIGHER EDUCATION

TABLE OF CONTENTS As of and for the Year Ended June 30, 2019

Independent Auditors' Report	i – ii
Required Supplementary Information	
Management's Discussion and Analysis	iii – xiv
Basic Financial Statements	
Government-Wide Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary (Enterprise) Fund – Loan Capital Fund	7
Statement of Cash Flows – Proprietary (Enterprise) Fund – Loan Capital Fund	8
Index to Notes to the Financial Statements	9
Notes to Financial Statements	10 – 34
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	35 – 36
Schedule of Agency's Proportionate Share of the Net Pension Liability – State Employees Retirement Fund (SERF)	37
Schedule of Contributions – State Employees Retirement Fund (SERF)	37
Notes to Required Supplementary Information	38 – 41
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	43



INDEPENDENT AUDITORS' REPORT

To the Commissioner
Minnesota Office of Higher Education
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Minnesota Office of Higher Education, a component unit of the State of Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Minnesota Office of Higher Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Minnesota Office of Higher Education as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Minnesota Office of Higher Education's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of the Minnesota Office of Higher Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Minnesota Office of Higher Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Minnesota Office of Higher Education's internal control over financial reporting and compliance.



Minneapolis, Minnesota
October 15, 2019

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Our discussion and analysis of the financial performance of the Minnesota Office of Higher Education (the "Agency") provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2019.

Introduction

Minnesota Statutes, 136A; Minnesota Statutes 136G, Minnesota Rules 4800-4880

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to postsecondary education. The Agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, and postsecondary finance trends. Specifically, the Agency, and its staff of 64 FTE (25 state funded), work to:

- Help students achieve financial access to postsecondary education;
- Enable students to choose among postsecondary education options;
- Protect and inform educational consumers;
- Produce independent, statewide information on postsecondary education; and
- Facilitate interaction and collaboration among organizations that share responsibility for education in Minnesota.

The Agency's programs and services are provided through different means, including:

Financial Aid

The Agency administers numerous financial aid programs that enable thousands of Minnesota students to have financial access to, and choice of, postsecondary educational opportunities, including, but not limited to:

- *The Minnesota State Grant Program* - provides more than \$208.9 million in need-based aid to Minnesota students annually.
- *Postsecondary Child Care Grant Program* – provides \$7 million for students with demonstrated financial need to pay for child care while students attend classes.
- *Minnesota Indian Scholarship Program* – provides \$2.9 million for eligible Minnesota resident students who are one-fourth or more Indian ancestry and demonstrate financial need.
- *Tuition Reciprocity* – allows Minnesota residents (and residents of participating states) to be treated as a resident for the purposes of admission and tuition.
- *Student Educational Loan Fund ("SELF")* – provides long-term, low-interest rate student loans for Minnesota residents attending a participating postsecondary institution as well as non-residents attending a Minnesota postsecondary institution.
- *SELF Refi* – provides various low-rate loan options for Minnesota residents to refinance their student loans.
- *Minnesota College Savings Plan* – Minnesota's 529 college savings plan that provides tax-advantaged savings accounts for qualified higher education expenses.
- *State Work Study Program* – provides \$14.7 million for students with demonstrated financial need through jobs provided through the postsecondary institutions.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Financial Aid (cont.)

- *Minnesota GI Bill program* – the Agency administers the program through an interagency agreement with the Minnesota Department of Veterans Affairs, which receives the appropriation from the legislature. The Minnesota GI Bill provides postsecondary grants to eligible Minnesota resident veterans and spouses and dependents of veterans.
- *Spinal Cord and Traumatic Brain Injury Research Grant* - provides \$3 million for medical research grants to conduct research that would lead to new and innovative treatments and rehabilitative efforts for the functional improvement of people with spinal cord or traumatic brain injuries.
- *Dual Training Competency Grants* - provide \$2 million of grants to institutions or programs that enter into agreements with employers to provide training to their employees.

Outreach

The Agency's publications, web content, interactive media, and direct contact with students and families enable the Agency to provide outreach to communities of color, low-income families, and families with no previous higher education experience. In addition, Gear Up, a federally funded college access program, aims to increase the number of students from low-income backgrounds and communities of color who are graduating from high school, participating in postsecondary education, and successfully transitioning into a career pathway. The program builds high-need middle and high schools' capacity to: deliver postsecondary readiness programming to students and their families, effectively utilize data to drive continuous improvement, and make the systemic changes necessary to sustain a culture of college-going.

Research & Information

The Agency's Research, Policy, and Analysis Division provides credible, politically neutral, research-based data, information and analysis on higher education. Research products are used to operate programs, develop and inform policies, and provide assistance to individuals, colleges, communities, and the state.

The Agency's web presence includes information for students, parents, educators, and financial aid administrators, postsecondary enrollment data, information concerning private postsecondary institutions licensed or registered by the Agency, online financial aid applications, and a financial aid estimator.

The Statewide Longitudinal Education Data System (SLEDs) is a tool to connect existing data from pre-kindergarten through completion of postsecondary education and into the workforce. SLEDs is a partnership between the Agency and the Departments of Education (MDE) and Employment and Economic Development (DEED). By bridging existing data with other incoming data, a range of educational programmatic and delivery questions can be answered to gauge the effectiveness of current programs and design targeted improvement strategies to help students.

Consumer Protection

Through state laws, which undergird the registration and licensure of private colleges, universities, career schools, and certain out-of-state public postsecondary institutions, the Agency provides students with consumer protection by assuring that those postsecondary institutions meet state standards in order to operate legally in Minnesota. Minnesota is an approved SARA (State Authorization Reciprocity Agreement) state. An institution authorized under SARA criteria in its home state is considered authorized in all other SARA states.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Financial Highlights

- The Agency's net position increased \$25.9 million or 5.1% from fiscal year 2018 to 2019 mainly as a result of student loan financing activities.
- The Agency received \$270.3 million for fiscal year 2019 state appropriations. \$2.24 million will be deferred to fiscal year 2020 while \$138,566 has been cancelled and returned back to the state.
- The Agency administers the Minnesota College Savings Plan. The assets in that plan have increased to \$1.5 billion.
- The Loan Capital Fund issued 7,662 and 7,899 new SELF Loans in fiscal years 2019 and 2018, respectively, with the average student loan amount of \$8,584 and \$8,332, respectively.
- The Loan Capital Fund disbursed approximately \$3 million in SELF Refi Loans in fiscal year 2019.
- Net Loan Receivables in the Loan Capital Fund shrunk by \$20.4 million or 3.9% during fiscal year 2019 and shrunk by \$23.8 million or 4.4% during fiscal year 2018.
- The Agency has legislative approval to enter into interest rate exchange or swap agreements, or other comparable interest rate protection agreements. This option is limited to agreements related to bonds and notes with an aggregate value of no more than \$20 million. As of June 30, 2019 the Agency has not entered into any interest rate exchange or swap agreements or other comparable interest rate protection agreements.
- On July 31, 2018 the Agency fully defeased the Supplemental Student Loan Program Revenue Bonds - 2010 series with \$17,315,000 outstanding by funding an irrevocable escrow account in the amount of \$17,958,702. The loan capital fund contributed \$5.68 million to the escrow account and funds in the 2010 trust accounts contributed the remaining \$12.27 million.
- On November 27, 2018 the Agency closed on the Series 2018 bonds. The structured finance transaction with \$54.5 million in tax exempt fixed rate bonds was rated AA by S&P Global Ratings, and will be used by the Agency to fund fixed rate student loans. By closing on this series, the Agency has secured financing at a fixed rate that matches well with the current fixed rate on its student loans.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The Agency's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. The report also contains other supplementary information.

Government-Wide Financial Statements

The two government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to private-sector business entities. The Statement of Net Position presents information on all of the Agency's assets, liabilities, and deferred inflows/outflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Government-Wide Financial Statements (cont.)

The *Statement of Activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused compensated absences). The government-wide financial statements can be found on pages 1 and 2 of this report.

In the Statements of Net Position and the Statement of Activities, we divide the Agency into two kinds of activities:

- *Governmental Activities* — General appropriation funds are received by the Agency for the administration of postsecondary educational grant programs, the state work study program, negotiating and administering reciprocity agreements, publishing and distributing financial aid information and materials, collecting and maintaining student enrollment and financial aid data, and administering various federal grant programs that affect students and postsecondary institutions. Licensing and registration fees finance the cost for administering the registration and licensing of private college and career schools and certain out-of-state public postsecondary institutions.
- *Business-Type Activities* — The Agency is designated by statute as the administrative agency for the establishment of one or more loan programs. The purpose of the loan programs is to provide financial assistance for the postsecondary education of students. The loan programs currently being administered by the Agency are the Student Educational Loan Fund ("SELF") Program and the SELF Refi Program.

Fund Financial Statements

The fund financial statements begin on page 3 and provide detailed information about the most significant funds — not the Agency as a whole. Some funds are required to be established by state law, and the Agency established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for certain grants. The Agency's two kinds of funds — governmental and proprietary — use different accounting approaches.

- *Governmental Funds* — Governmental funds are used for primarily the same functions reported as governmental activities. The governmental fund financial statements are used to analyze resources available in the near-term to manage the Agency's near-term financial obligations. These funds are reported using the modified accrual basis of accounting. The differences are illustrated between governmental activities and governmental funds in a statement following each governmental fund financial statement.
- *Proprietary Funds* — When the Agency charges customers for the services it provides — whether to outside customers or to other units of the Agency — these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. In fact, the Agency's proprietary funds are the same as the business-type activities the Agency reports in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 10 of this report.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information, including the management's discussion and analysis and other RSI which contains the Agency's budget and actual results of its major governmental fund and schedules for the state employees' retirement fund. This information can be found beginning on page 35 of this report.

Additional Supplemental Information

Following the required supplemental information are combining statements for the non-major governmental funds.

The Agency as a Whole

The Agency's combined net position increased by \$25.9 million or 5.1%. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Agency's governmental and business-type activities.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

The Agency as a Whole (cont.)

**Table 1
Net Position**

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Assets						
Current and other assets	\$ 16,604,050	\$ 1,026,045,167	\$ 1,042,649,217	\$ 25,894,445	\$ 968,417,826	\$ 994,312,271
Capital assets—net	1,310,368	27,648	1,338,016	-	-	-
Total assets	17,914,418	1,026,072,815	1,043,987,233	25,894,445	968,417,826	994,312,271
Deferred Outflows of Resources						
OPEB related amounts	17,250	5,750	23,000	-	-	-
Pension related amounts	4,366,269	1,024,731	5,391,000	6,579,594	1,725,406	8,305,000
Total deferred outflows of resources	4,383,519	1,030,481	5,414,000	6,579,594	1,725,406	8,305,000
Liabilities						
Current liabilities	5,001,559	2,520,230	7,521,789	4,207,944	6,912,172	11,120,116
Non-current liabilities	2,294,492	501,685,606	503,980,098	8,492,660	461,266,732	469,759,392
Total liabilities	7,296,051	504,205,836	511,501,887	12,700,604	468,178,904	480,879,508
Deferred Inflows of Resources						
Unearned revenue	1,962,769	-	1,962,769	14,291,082	-	14,291,082
OPEB related amounts	33,750	11,250	45,000	-	-	-
Pension related amounts	6,549,248	1,940,752	8,490,000	4,629,239	1,325,761	5,955,000
Total deferred inflows of resources	8,545,767	1,952,002	10,497,769	18,920,321	1,325,761	20,246,082
Net position						
Invested in capital assets	1,310,368	27,648	1,338,016	-	-	-
Restricted for administration and financial aid programs	8,721,492	-	8,721,492	6,444,596	-	6,444,596
Restricted for debt service	-	520,917,810	520,917,810	-	500,638,567	500,638,567
Unrestricted (deficit)	(3,575,741)	-	(3,575,741)	(5,591,482)	-	(5,591,482)
Total net position	\$ 6,456,119	\$ 520,945,458	\$ 527,401,577	\$ 853,114	\$ 500,638,567	\$ 501,491,681

Net position of the Agency's governmental activities increased by \$5,603,005 during the current fiscal year. State appropriations are retained for the portion of severance liability and retired employees insurance benefits liability that the Agency has at fiscal year-end. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased from (\$5,591,482) at June 30, 2018 to (\$3,575,741) at the end of this year.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

The Agency as a Whole (cont.)

Net loans receivable have decreased by approximately \$20.4 million, or 3.9%, to \$492.4 million. In May 2015 the state legislature passed language allowing the maximum amount of the SELF Loan to be determined annually by the Agency, not to exceed cost of attendance less all other financial aid. The Agency has set the maximum SELF Loan amount at \$20,000 for four-year postsecondary and graduate programs. Contributing to the decline in volume was the reduction in May 2016 of the loan limit from \$7,500 to \$3,500 for borrowers enrolled in programs of less than one year. Closures of some private for-profit institutions has also resulted in a small decline in volume.

U.S. Treasury regulations limit the student loan revenue yield over bond expenses to 2% on tax exempt student loan bond issues (bond expenses are limited to the bond interest paid to bondholders, cost of defaulted loans, and credit liquidity). Excess earnings generated from the student loans must either be paid back to the IRS every 10 years or reduced through a decrease in the student loan interest rate charged, loan forgiveness programs, and/or borrower benefits. The Agency has no current arbitrage or excess yield liability.

**Table 2
Changes in Net Position**

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 626,752	\$ 26,680,024	\$ 27,306,776	\$ 1,195,462	\$ 25,170,248	\$ 26,365,710
State appropriations	270,293,508	-	270,293,508	253,451,036	-	253,451,036
Federal grants	3,106,875	-	3,106,875	2,769,230	-	2,769,230
Capital grants & contributions	527,742	-	527,742	-	-	-
Investment Income	-	10,667,101	10,667,101	-	5,522,615	5,522,615
Total revenues	<u>274,554,877</u>	<u>37,347,125</u>	<u>311,902,002</u>	<u>257,415,728</u>	<u>30,692,863</u>	<u>288,108,591</u>
EXPENSES						
Program expenses						
Loan capital fund	-	17,040,234	17,040,234	-	14,125,394	14,125,394
Administration and financial aid programs	266,633,317	-	266,633,317	255,104,009	-	255,104,009
Federal grants	<u>2,318,555</u>	<u>-</u>	<u>2,318,555</u>	<u>3,360,921</u>	<u>-</u>	<u>3,360,921</u>
Total expenses	<u>268,951,872</u>	<u>17,040,234</u>	<u>285,992,106</u>	<u>258,464,930</u>	<u>14,125,394</u>	<u>272,590,324</u>

Governmental Activities

Revenues for the Agency's governmental activities (see Table 2) increased by \$17.14 million (or 6.7%) to \$274.6 million, while total expenses increased by \$10.48 million (4.1%).

State appropriations increased by \$16.8 million to \$270.3 million. \$208.9 million was appropriated by the legislature for the State Grant program. If the appropriation for either year of the biennium is insufficient for the State Grant program, the appropriation for the other year is available for it.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

The Agency as a Whole (cont.)

Governmental Activities (cont.)

The Agency currently receives federal grant monies from four different programs within the U.S. Department of Education and the U.S. Department of Justice. These federal grants are designed to assist students in meeting their postsecondary education financial obligations, improve teacher quality and instructional leadership, and increase college attendance and success of low-income students. The Agency also manages the SLEDs data system that merges data from preschool to college to workforce. The data is used in developing public reports and producing original research.

Business-Type Activities

The excess of revenues over expenses of the Agency's business-type activities was \$20.3 million in fiscal year 2019, which was 119.2% of expenses.

Financial Analysis of the Agency's Major Funds

Governmental Funds

The General Fund is the chief governmental fund of the Agency representing approximately 96% of the Agency's governmental spending. At the end of fiscal year 2019, the fund balance was \$0. Since the state operates on a biennial budget, every other year all appropriation resources not expended are returned to the state's General Fund. At the end of the first fiscal year, unused appropriations are deferred to the second fiscal year in the biennium.

For the General Fund, student grant payments were \$245.1 million, an increase from \$233.9 million in fiscal year 2018. Grant aid to postsecondary institutions and organizations increased \$179,561 to \$11.45 million. Employee salaries and benefits increased 13% over the prior fiscal year, due to several new positions, cost of living and performance increases, and increase in cost of health insurance.

Proprietary Fund

The Agency's proprietary fund statement provides the same type of information found in the government-wide financial statements, but in greater detail. Revenues of the Agency's proprietary fund (see Table 2) increased by 21.7% and expenses increased by 20.6%. In fiscal year 2019, there was an increase in the rate of return for interest and investment interest income. The current rate for SELF III, SELF IV and SELF V program variable rate student loans is 4.7%, an increase of 0.80% from fiscal year 2018. The SELF III, SELF IV and SELF V variable rate loans use the same method to calculate the variable interest rate. Under the SELF IV and SELF V programs, loans have an optional extended repayment period depending upon the aggregate SELF student loan balance.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Financial Analysis of the Agency's Major Funds (cont.)

Proprietary Fund (cont.)

The interest rate for the SELF V fixed rate program changes periodically. Rate changes are as follows:

Effective Date	Rate
10/2010	7.25%
05/2013	6.90%
04/2015	6.50%
08/2016	6.0%

The SELF Refi loan has a variety of rate and repayment term options.

SELF Refi Loan current rates			
Repayment Term	5 years	10 years	15 years
Fixed rate	4.25%	5.50%	6.75%
Variable rate	4.9%	5.55%	6.25%

General Fund Budgetary Highlights

Over the course of the fiscal year, changes were made to the Agency's budget. The fiscal year 2019 budget was adjusted to spend \$14.32 million that was deferred from fiscal year 2018, the majority of these funds were spent on student aid programs. Unspent funding for fiscal year 2019 is \$2.38 million of which \$2.24 million is deferred to fiscal year 2020 and \$138,566 is returned to the state. Funds deferred to fiscal year 2020 will be used for Fiscal Year 2019 financial obligations still outstanding.

Cash Management

Unexpended general appropriated funds are invested pursuant to Minnesota Statutes 11A under the State Board of Investment. Monies in the Loan Capital Fund are managed by the Agency and invested in instruments allowed by state statute, such as U.S. Treasury bills and notes, general obligation municipals, collateralized certificates of deposit, repurchase agreements, federal agency notes, bankers' acceptances, and commercial paper. The Agency's investment policy prohibits the Agency from investing in instruments with maturities in excess of three years. The total investment income, including change in the fair value of investments, was up from 2018 by \$5.14 million. As of June 30, 2019, the fair value of the Agency's investments was greater than cost by \$1.15 million. The Agency's policy is to hold all securities until maturity; therefore, it is highly unlikely that any differences between cost and market in investments would be realized.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Capital Assets

At year-end, the Agency had \$1,338,016 of net capital assets as shown in Table 3:

**Table 3
Capital Assets at Year-End
(net of accumulated depreciation)**

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Office Improvements	\$ 1,140,421	\$ -	\$ 1,140,421	\$ -	\$ -	\$ -
Furniture and equipment	<u>169,947</u>	<u>27,648</u>	<u>197,595</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>\$ 1,310,368</u>	<u>\$ 27,648</u>	<u>\$ 1,338,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The State, on the Agency's behalf, finalized a 10-year lease through November 30, 2028 for the Agency's current office space. As a part of the lease agreement, a major renovation of the office space was agreed upon. The Agency paid for \$672,700 of the capitalized office improvements while the commercial real estate company contributed \$527,742 to the project. As a part of the overall renovation, the Agency also purchased and capitalized shared workspace furniture in the amount of \$204,408.

Additional information about the Agency's capital assets can be found in Note III.D. to the financial statements.

Debt Administration

At year-end, the Agency had \$500,935,000 in bonds outstanding — as shown in Table 4:

**Table 4
Outstanding Debt at Year-End
(in millions)**

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenue bonds	<u>\$ -</u>	<u>\$ 500.9</u>	<u>\$ 500.9</u>	<u>\$ -</u>	<u>\$ 463.7</u>	<u>\$ 463.7</u>

The 2012B & 2017A, 2017B, and 2017C supplemental revenue bonds are currently held as a private placement bonds and do not require a rating.

The 2018 supplemental revenue bonds have a rating of AA by S&P Global rating agency.

Other obligations of the Agency include accrued compensated absences, total OPEB liability, and net pension liability. More detailed information about the Agency's long-term liabilities is presented in Note II.E. to the financial statements.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Economic Factors and Next Year's Budgets and Rates

Agency's management considered many factors when setting future fiscal year budgets, rates, and fees that will be charged for the business-type activities. Careful consideration was given to legislative goals and the Agency's mission when adopting the General Fund budget for fiscal year 2020. The Agency's biennial budget request submitted to the Governor and Legislature takes into account the overall costs of administering the programs, salary costs, inflationary costs, as well as new agency priorities. If an appropriation for either year of the biennium is insufficient, the appropriation for the other year is available for it.

The management team for the SELF and SELF Refi programs consult with their financial advisors and bond partners when considering and evaluating bond financing options for the programs. In addition, when establishing loan interest rates the management team takes into account current and anticipated future economic and market conditions.

State Grant Program

For fiscal year 2020, the private tuition maximums used in the state grant formula are a maximum of \$15,142 for students enrolled in four-year programs and \$5,963 for students enrolled in two-year programs. The living and miscellaneous expense allowance is set at \$9,930. Grant awards are based on the lesser of the average tuition and fees charged by the institution for the term or the maximum established by law.

MN GI Bill

Beginning in fiscal year 2020, the administration of the Minnesota GI Bill program will be transferred back to the Minnesota Department of Veterans Affairs.

SELF Loan

The Agency is currently pursuing a structured finance, fixed-rate bond issuance of \$60,000,000 anticipated to close in January 2020. The transaction will allow the Agency to secure fixed rate financing for fixed-rate loans originated through the SELF program and lock in current market interest rates to term.

The SELF Loan program has several phases based on changes in calculating interest and other loan terms. In fiscal year 2002, the Agency received approval for the SELF III phase of the loan program, which bases the interest rate charged to borrowers on the average of the three-month LIBOR during the calendar quarter immediately preceding the interest rate adjustment date plus a margin. The SELF IV phase of the loan program began in July 2006 with minor changes. The SELF V phase of the loan program began in October 2010 with a fixed and variable interest rate option. The SELF III, SELF IV, and SELF V current margin is 2.00% for variable rate loans. For the fixed rate option of the SELF V phase of the loan program, effective August 1, 2016 through June 30, 2019 the rate is set at 6.00% for new loans.

For students enrolled in a bachelor's degree, post-baccalaureate, or graduate program the annual loan limit is \$20,000. The undergraduate student annual loan limit for non-four-year degree programs is \$7,500 and the annual loan limit for programs less than one year is \$3,500.

**MINNESOTA OFFICE OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Economic Factors and Next Year's Budgets and Rates (cont.)

The Agency's Loan Capital Fund cash and investment balance decreased by \$22.5 million, the restricted cash and investment balance increased by \$100.4 million, and the loans receivable – net balance decreased \$20.4 million. Current outstanding bonds rely on the Loan Capital Fund for the payment of various bond fees, student loan servicing costs, reimbursement of defaulted loans, and administrative expenses.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Agency at (651) 259-3951.

MINNESOTA OFFICE OF HIGHER EDUCATION

STATEMENT OF NET POSITION As of June 30, 2019

	ASSETS	Governmental Activities	Business- type Activities	Totals
CURRENT ASSETS				
Cash and investments		\$ 16,029,173	\$ 228,775,545	\$ 244,804,718
Receivables				
Accounts		90,815	597,173	687,988
Interest		-	2,992,444	2,992,444
Loans receivable - net		-	77,953,123	77,953,123
Due from other governments		484,062	-	484,062
Total Current Assets		<u>16,604,050</u>	<u>310,318,285</u>	<u>326,922,335</u>
NONCURRENT ASSETS				
Restricted cash and investments		-	301,315,680	301,315,680
Loans receivable - net		-	414,411,202	414,411,202
Capital assets (net of accumulated depreciation)		1,310,368	27,648	1,338,016
Total Noncurrent Assets		<u>1,310,368</u>	<u>715,754,530</u>	<u>717,064,898</u>
Total Assets		<u>17,914,418</u>	<u>1,026,072,815</u>	<u>1,043,987,233</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts		4,366,269	1,024,731	5,391,000
OPEB related amounts		17,250	5,750	23,000
Total Deferred Outflows of Resources		<u>4,383,519</u>	<u>1,030,481</u>	<u>5,414,000</u>
	LIABILITIES			
CURRENT LIABILITIES				
Accounts payable		4,432,974	381,591	4,814,565
Accrued liabilities		237,209	77,563	314,772
Accrued interest		-	2,041,276	2,041,276
Due to other governments		23,531	-	23,531
Due to primary government - unspent appropriations		279,445	-	279,445
Compensated absences payable		28,400	19,800	48,200
Total Current Liabilities		<u>5,001,559</u>	<u>2,520,230</u>	<u>7,521,789</u>
NONCURRENT LIABILITIES				
Revenue bonds payable		-	501,316,198	501,316,198
Compensated absences payable		332,100	157,800	489,900
Net pension liability		1,660,142	110,858	1,771,000
Total OPEB liability		<u>302,250</u>	<u>100,750</u>	<u>403,000</u>
Total Noncurrent Liabilities		<u>2,294,492</u>	<u>501,685,606</u>	<u>503,980,098</u>
Total Liabilities		<u>7,296,051</u>	<u>504,205,836</u>	<u>511,501,887</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue		1,962,769	-	1,962,769
Pension related amounts		6,549,248	1,940,752	8,490,000
OPEB related amounts		33,750	11,250	45,000
Total Deferred Inflows of Resources		<u>8,545,767</u>	<u>1,952,002</u>	<u>10,497,769</u>
	NET POSITION			
Net investment capital assets		1,310,368	27,648	1,338,016
Restricted for administration and financial aid programs		8,721,492	-	8,721,492
Restricted for debt service		-	520,917,810	520,917,810
Unrestricted (deficit)		<u>(3,575,741)</u>	<u>-</u>	<u>(3,575,741)</u>
TOTAL NET POSITION		<u>\$ 6,456,119</u>	<u>\$ 520,945,458</u>	<u>\$ 527,401,577</u>

See accompanying notes to financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Totals
Governmental Activities							
Administration and financial aid programs	\$ 266,633,317	\$ 626,752	\$ 270,293,508	\$ 527,742	\$ 4,814,685	\$ -	\$ 4,814,685
Federal grants	<u>2,318,555</u>	<u>-</u>	<u>3,106,875</u>	<u>-</u>	<u>788,320</u>	<u>-</u>	<u>788,320</u>
Total Governmental Activities	<u>268,951,872</u>	<u>626,752</u>	<u>273,400,383</u>	<u>527,742</u>	<u>5,603,005</u>	<u>-</u>	<u>5,603,005</u>
Business-type Activities							
Loan capital fund	<u>17,040,234</u>	<u>26,680,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,639,790</u>	<u>9,639,790</u>
Totals	<u>\$ 285,992,106</u>	<u>\$ 27,306,776</u>	<u>\$ 273,400,383</u>	<u>\$ 527,742</u>			
Investment income					<u>-</u>	<u>10,667,101</u>	<u>10,667,101</u>
Change in Net Position					<u>5,603,005</u>	<u>20,306,891</u>	<u>25,909,896</u>
NET POSITION - Beginning of Year					<u>853,114</u>	<u>500,638,567</u>	<u>501,491,681</u>
NET POSITION - END OF YEAR					<u>\$ 6,456,119</u>	<u>\$ 520,945,458</u>	<u>\$ 527,401,577</u>

See accompanying notes to financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS As of June 30, 2019

	General	Nonmajor Governmental Funds	Totals
ASSETS			
Cash and investments	\$ 5,918,797	\$ 10,110,376	\$ 16,029,173
Accounts receivable	44,572	46,243	90,815
Due from other governments	<u>323,468</u>	<u>160,594</u>	<u>484,062</u>
TOTAL ASSETS	<u>\$ 6,286,837</u>	<u>\$ 10,317,213</u>	<u>\$ 16,604,050</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,922,556	\$ 510,418	\$ 4,432,974
Accrued liabilities	122,067	115,142	237,209
Due to other governments	-	23,531	23,531
Due to primary government - unspent appropriations	<u>279,445</u>	<u>-</u>	<u>279,445</u>
Total Liabilities	<u>4,324,068</u>	<u>649,091</u>	<u>4,973,159</u>
Deferred Inflows of Resources			
Unearned revenue	<u>1,962,769</u>	<u>-</u>	<u>1,962,769</u>
Total Deferred Inflows of Resources	<u>1,962,769</u>	<u>-</u>	<u>1,962,769</u>
Fund Balances			
Restricted for administration and financial aid programs	-	8,721,492	8,721,492
Assigned	<u>-</u>	<u>946,630</u>	<u>946,630</u>
Total Fund Balances	<u>-</u>	<u>9,668,122</u>	<u>9,668,122</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 6,286,837</u>	<u>\$ 10,317,213</u>	<u>\$ 16,604,050</u>

See accompanying notes to financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION As of June 30, 2019

Total fund balances - governmental funds	\$ 9,668,122
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year-end consist of:

Capital assets	1,376,250
Less accumulated depreciation	(65,882)

Some deferred outflows of resources and deferred inflows of resources do not relate to current financial resources and are not reported in the fund statements. These consist of:

Deferred outflows - pension related amounts	4,366,269
Deferred inflows - pension related amounts	(6,549,248)
Deferred outflows - OPEB related amounts	17,250
Deferred inflows - OPEB related amounts	(33,750)

Certain liabilities are not due in the current period and, therefore, are not reported in the fund statements. These liabilities at year-end consist of:

Compensated absences payable	(360,500)
Net pension liability	(1,660,142)
Total OPEB liability	<u>(302,250)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 6,456,119</u>
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See accompanying notes to financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2019

	General	Nonmajor Governmental Funds	Totals
REVENUES			
State appropriations	\$ 263,117,580	\$ 7,175,928	\$ 270,293,508
Federal grants	-	3,106,875	3,106,875
Registration and licensing fees	-	330,332	330,332
Other revenue	-	296,420	296,420
Total Revenues	<u>263,117,580</u>	<u>10,909,555</u>	<u>274,027,135</u>
EXPENDITURES			
Administration and financial aid programs	263,117,580	5,648,570	268,766,150
Federal grants	-	3,019,972	3,019,972
Total Expenditures	<u>263,117,580</u>	<u>8,668,542</u>	<u>271,786,122</u>
Excess of revenues over expenditures	-	2,241,013	2,241,013
FUND BALANCE - Beginning of Year	<u>-</u>	<u>7,427,109</u>	<u>7,427,109</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 9,668,122</u>	<u>\$ 9,668,122</u>

See accompanying notes to financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 2,241,013
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of these assets is allocated over their
estimated useful lives and reported as depreciation expense. The following
differ in their presentation in the two statements:

Some current expenditures in the fund statements are capitalized in the government-wide statements	848,508
Fair value of capital assets contributed	527,742
Depreciation is reported in the government-wide statements	(65,882)

Some expenses in the statement of activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in the
governmental funds. The following did not require the use of current
financial resources:

Compensated absences payable	(4,557)
Net pension liability	6,194,015
Deferred outflows of resources related to pensions	(2,213,325)
Deferred inflows of resources related to pensions	(1,920,009)
Total OPEB liability	12,000
Deferred outflows of resources related to OPEB	17,250
Deferred inflows of resources related to OPEB	<u>(33,750)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,603,005</u>
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See accompanying notes to financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY (ENTERPRISE) FUND - LOAN CAPITAL FUND For the Year Ended June 30, 2019

OPERATING REVENUES

Interest on student loans	\$ 26,680,024
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OPERATING EXPENSES

General and administrative	5,113,041
Depreciation	953
Provision for loans losses - net	<u>(2,212,544)</u>
Total Operating Expenses	<u>2,901,450</u>

Operating Income	<u>23,778,574</u>
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NONOPERATING REVENUES (EXPENSES)

Investment income	10,667,101
Interest expense	<u>(14,138,784)</u>
Total Nonoperating Revenues (Expenses)	<u>(3,471,683)</u>

CHANGE IN NET POSITION	20,306,891
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NET POSITION - Beginning of Year	<u>500,638,567</u>
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NET POSITION - END OF YEAR	<u>\$ 520,945,458</u>
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See accompanying notes to financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

STATEMENT OF CASH FLOWS PROPRIETARY (ENTERPRISE) FUND - LOAN CAPITAL FUND For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from loan holders	\$ 118,376,773
Cash paid for loan origination	(68,779,466)
Cash paid to employees and suppliers	(5,957,522)
Net Cash Flows From Operating Activities	<u>43,639,785</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(175,510,889)
Proceeds from maturity of investments	142,752,211
Interest received from investments	9,458,323
Net Cash Flows From Investing Activities	<u>(23,300,355)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from bonds issued	54,535,000
Premium from bonds issued	461,345
Paid to escrow agent for bond defeasance	(17,958,702)
Interest paid on bonds	(13,223,178)
Net Cash Flows From Noncapital Financing Activities	<u>23,814,465</u>

CASH FLOWS FROM CAPITAL ACTIVITIES

Acquisition of capital assets	(28,601)
Net Cash Flows From Capital Activities	<u>(28,601)</u>

Net Increase in Cash and Cash Equivalents	44,125,294
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CASH AND CASH EQUIVALENTS - Beginning of Year	<u>389,559,963</u>
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 433,685,257</u>
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RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and investments per Statement of Net Position	\$ 228,775,545
Restricted cash and investments per Statement of Net Position	301,315,680
Less: Non-cash equivalents	<u>(96,405,968)</u>

CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS	<u>\$ 433,685,257</u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 23,778,574
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities	
Noncash items included in income/expense	
Depreciation	953
Provision for loan losses	3,788,195
Write-off of loans	(4,115,647)
Origination of student loans	(68,779,466)
Principal payments on student loans	89,522,442
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Interest receivable	(183,368)
Other receivables	233,252
Accounts payable and accruals	61,669
Net pension liability and related deferred outflows and inflows	(668,319)
Total OPEB liability and related deferred outflows and inflows	<u>1,500</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 43,639,785</u>
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NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES

None

See accompanying notes to financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

INDEX TO NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE	Page
I. Summary of Significant Accounting Policies	10
A. Reporting Entity	10
B. Government-Wide and Fund Financial Statements	10
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	12
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	13
1. Deposits and Investments	13
2. Receivables	14
3. Restricted Assets	14
4. Capital Assets	14
5. Deferred Outflows of Resources	14
6. Compensated Absences	15
7. Long-Term Obligations	15
8. Deferred Inflows of Resources	16
9. Equity Classifications	16
10. Pension	17
11. Other Postemployment Benefits (OPEB)	17
II. Detailed Notes on All Funds	18
A. Deposits and Investments	18
B. Receivables	20
C. Restricted Assets	22
D. Capital Assets	23
E. Long-Term Obligations	24
F. Net Position	28
III. Other Information	28
A. Pension	28
B. Risk Management	33
C. Commitments and Contingencies	33
D. Effect of New Accounting Standards on Current Period Financial Statements	34

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Minnesota Office of Higher Education conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

Effective July 1, 1995, the Minnesota Office of Higher Education (formerly known as Minnesota Higher Education Services Office) (the "Agency") was created in accordance with laws of Minnesota for 1995 as a component unit of the State of Minnesota. The Agency is responsible for the administration of state of Minnesota financial aid programs to students enrolled in eligible postsecondary institutions. In addition, the Agency is also responsible for administering federal financial aid programs that affect eligible students and institutions on a statewide basis. The Commissioner, who is appointed by the governor, oversees the performance of the Agency.

The Agency's financial statements are presented discretely in the State of Minnesota's Comprehensive Annual Financial Report as a component unit.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government entity as a whole. They include all funds of the reporting entity, since the reporting entity has no fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through state appropriations and federal grants. Business-type activities are generally financed by fees and charges from student loans.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Agency does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition, any other governmental or enterprise fund that the Agency believes is particularly important to financial statement users may be reported as a major fund.

The Minnesota Office of Higher Education reports the following major governmental funds:

General Fund – accounts for the Agency's primary operating activities. It is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund is used to account and report for the funds received and disbursed for the State of Minnesota's research and financial aid programs.

The Minnesota Office of Higher Education reports the following major enterprise funds:

Loan Capital Fund (LCF) – accounts for the Agency's student loan activities including the Supplemental Loan programs (SELF III, SELF IV, SELF V and SELF Refi) and payment of expenses of administering such programs. In addition, the Loan Capital Fund is used to account for related long-term debt payable and interest expense.

The Minnesota Office of Higher Education reports the following non-major governmental funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Special Revenues and Gifts Fund (Federal grants passed through other entities, certain state appropriations, gifts, and licensing)

Federal Grant Fund (Direct federal grants)

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Agency's funds for indirect costs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

State appropriations are recognized in the year designated by Minnesota Statutes. Federal grants are recognized in the year during which the eligible expenditures are made. If the amounts of federal grants cannot be reasonably estimated, or realization is not reasonably assured, they are not recognized as revenue in the current year. Amounts owed to the Agency which are not available are recorded as receivables and unavailable revenues. Amounts received prior to the entitlement period are also recorded as deferred inflows.

Revenues susceptible to accrual include federal grants and interest on investments. Other general revenues such as registration and licensing fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Loan Capital Fund is payment of interest on student loans. Operating expenses for the proprietary fund include administrative expenses and provision for loan losses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Minnesota Statutes 136A.16 Subd. 8 and 11A.24 describe the investments the Agency is authorized to have.

The Agency has adopted an investment policy that addresses investment risks; that policy follows the state statute for allowable investments. The Agency may only invest in obligations maturing within three years of the date of purchase except those invested in the debt service reserve funds which can be invested to the bond maturity date. In addition, the Agency's investment policy outlines the maximum percentage of any type of deposit or investment it may have at one time and the maximum percentage of investment securities to be held at one bank or bank investment subsidiary.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note II.A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note II.A for further information.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

Loans receivable have been shown net of an allowance for uncollectible accounts.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

3. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Restricted assets will be used for issuing new student loans and retirement of related long-term debt.

4. Capital Assets

Government-Wide Statements

Capital assets, which include office improvements and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial cost of more than \$30,000 for general capital assets, and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Office Improvements	10 Years
Furniture and Equipment	15 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

5. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Compensated Absences

Under terms of employment, employees are granted sick leave and vacation time in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested sick leave and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Employees are not compensated for unused sick leave upon termination; however, unused sick leave enters into the computation of severance pay. All employees who have provided 5 to 20 years or more, of continuous State of Minnesota service (depending on employment contract terms) are entitled to receive severance pay upon any separation, except discharge for just cause from service. Severance is calculated based upon a formula using an employee's unused sick leave balance.

All eligible employees accrue vacation at a rate that varies with length of service. Any employee who has been employed more than six months and who has separated from state of Minnesota service is compensated in cash at his or her current rate at the time of separation. However, no payment shall exceed 275 to 280 hours (depending on employment contract terms), except in the case of death.

Accumulated sick leave and vacation time liabilities at June 30, 2019 are determined on the basis of current salary rates.

7. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist of bonds payable, accrued compensated absences, net pension liability, and total other post-employment benefits (OPEB) liability.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face values of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position.

The Agency is restricted on the amount of interest that can be earned on loans pledged as collateral to nontaxable bonds compared to interest expense. This limit is 2% and in the current year, the yield did not exceed this limit. An arbitrage liability was not recorded.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definitions of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action of the Commissioner. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Commissioner that originally created the commitment.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Commissioner may take official action to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The Agency considers restricted amounts to be spent first when both restricted and unrestricted fund balances are available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Agency would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

10. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS) and additions to/deductions from MSRS' fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, the Agency is part of the State's single-employer defined benefit retiree healthcare plan. The Agency recognizes benefit payments when due and payable in accordance with the benefit terms. As the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense are immaterial to the Agency's financial statements, additional disclosures regarding the plan description, benefits provided, employees covered, assumptions and other inputs, details of changes in the total OPEB liability, sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates, and covered payroll are intentionally omitted from these financial statements.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Agency's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Money market mutual fund investments	\$ 301,084,298	\$ 301,035,874	None
Demand deposits	2,105,426	2,105,426	Custodial credit risk
Commercial paper	96,405,967	96,405,967	Credit, custodial credit, concentration of credit, and interest rate risks
Pooled cash held by State Treasury	146,524,707	146,524,707	N/A
Total Cash and Investments	<u>\$ 546,120,398</u>	<u>\$ 546,071,974</u>	
Reconciliation to financial statements			
Per statement of net position			
Cash and investments	\$ 244,804,718		
Restricted cash and investments	301,315,680		
Total Cash and Investments	<u>\$ 546,120,398</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash.

Deposits in accounts at U.S. Bank are also secured by a \$2,000,000 Federal Home Loan Bank letter of credit.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Agency's deposits may not be returned to the Agency.

As of June 30, 2019, the Agency did not have any financial institution deposits exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of June 30, 2019, the Agency did not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2019, the Agency's investments in commercial paper were rated as follows:

<u>Commercial Paper</u>	<u>S&P</u>	<u>Moody's</u>
U.S. Bank National Association	A-1+	P-1
Banco Santander	A-1	P-1
Natixis New York Branch	A-1	P-1
Korean Development Bank, New York	A-1+	P-1
Mitsubishi Financial Group Bank LTD/NY	A-1	P-1

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an Agency's investment in a single issuer.

As of June 30, 2019, the Agency's investment portfolio was concentrated as follow:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Banco Santander	Commercial Paper	5.00%
Natixis New York Branch	Commercial Paper	5.00%
Korean Development Bank, New York	Commercial Paper	6.28%

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of June 30, 2019, the Agency's investment of commercial paper had a fair value of \$96,405,967 and a weighted average maturity of .67 years.

See Note I.D.1. for further information on deposit and investment policies.

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by accepted accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The market approach valuation method is used for recurring fair value measurements of the commercial paper.

Investment Type	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 96,405,967	\$ -	\$ 96,405,967

B. RECEIVABLES

Receivables as of year-end for the Agency's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Fund	Gross Receivables	Allowance For Uncollectibles	Net Receivables	Amounts Not Expected to Be Collected Within One Year
General	\$ 368,040	\$ -	\$ 368,040	\$ -
Loan Capital	503,965,374	8,011,432	495,953,942	414,411,202
Nonmajor Funds	206,837	-	206,837	-

Loans receivable include amounts due within one year and amounts due in more than one year, based upon loan schedules with each student (loan holder). Approximately 17.2% of the balance is expected to be collected during fiscal year 2019.

SELF III and IV loans are no longer being issued by the Agency. The interest rate on outstanding loans is equal to the three month average of the London InterBank Offered Rate (LIBOR) plus a current margin of 2.0%. The interest rate cannot change more than three percentage points in any four consecutive calendar quarters. The rate was 4.7% as of June 30, 2019.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

SELF V variable and fixed rate loans were offered for the first time in October 2010 to students who meet the eligibility requirements set forth by the Agency. The interest rate on the SELF V variable rate loan is equal to the three month average of LIBOR, plus a current margin of 2.0%. The interest rate cannot change more than three percentage points in any four consecutive calendar quarters. Various SELF V fixed rates have been offered since 2010. The interest rates on June 30, 2019 were 4.7% for the variable rate and 6.0% for the fixed rate. Fixed rates do not change over the life of the loan. The Agency has the option to offer a different fixed rate to future borrowers.

Repayment of interest for SELF loans begins within 90 days after disbursement and is due quarterly thereafter. Principal payments begin no later than 36 months after graduation or when the borrower drops below less than half time enrollment.

SELF Refi variable and fixed rate loans were offered for the first time in January 2016 to Minnesota residents who have earned a postsecondary credential and meet other eligibility requirements set forth by the Agency. Multiple fixed and variable interest rate options are available based on the repayment term of 5, 10 or 15 years. All SELF Refi Loans enter immediate repayment. The interest rate on the SELF Refi variable rate loan is equal to the three month average of the one-month LIBOR, plus a current margin ranging from 2.40% - 3.75%. The SELF Refi variable rates ranged from 4.9% - 6.25% and fixed rates ranged from 4.25% - 6.75% on June 30, 2019. The interest rate on fixed rate loans will not change over the life of the loan. The Agency has the option to offer different fixed rates to future borrowers.

All SELF and SELF Refi loans are unsecured. The Agency requires a credit worthy cosigner on each SELF III, IV, and V loan. For SELF Refi loans, if a borrower meets the minimum credit score and maximum debt-to-income ratio, a cosigner is not required. For all SELF and SELF Refi loans, the Agency is able to intercept state tax refunds for both borrower and cosigner (where applicable) in the event of default in addition to other collection methods. The balance of all SELF loans at June 30, 2019 was \$500,375,757.

An allowance for uncollectible SELF III, SELF IV, SELF V, and SELF Refi loans is provided for in the financial statements, and an equal amount of the allowance is maintained as restricted cash in the Loan Capital Fund. The Loan Capital Fund provides for loan losses sufficient to maintain the total balance in the allowance at a level equal to 1.6% of the total outstanding loan balance and also designates restricted cash equal to the balance of the allowance. Recoveries on defaulted SELF loans are credited to the Loan Capital Fund as revenue in the year received.

The activity for the allowance for uncollectible loans on all loan types for the year ended June 30, 2019 is as follows:

Beginning balance	\$ 8,338,884
Provision for loan losses	3,788,195
Write-off of loans	<u>(4,115,647)</u>
Ending Balance	<u>\$ 8,011,432</u>

Recovery on defaulted loans of \$6,000,739 for the year ended June 30, 2019 is recognized as a reduction in the provision for loan losses.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long Term Debt Accounts

- Revenue – Used to deposit student loan payments of principal and interest. Payments from this account are made to investors for bond interest and to finance additional student loans.
- Surplus – Used to deposit excess funds from the revenue account and to finance additional student loans.
- Acquisition – Used to deposit initial funds at bond issuance and used to finance student loans.
- Debt Service Reserve – Used to reserve funds based on bond indenture requirements for potential deficiencies in the revenue account or the surplus account.

Bad Debt Reserve Account

The Loan Capital Fund established a bad debt reserve account to purchase uncollectible student loans. This account equals the allowance for uncollectible SELF loans and SELF Refi loans. This fund is replenished quarterly.

Following is a list of restricted assets (long term debt and bad debt reserve accounts) at June 30, 2019:

	<u>Restricted Assets</u>
Revenue account	\$ 81,287,091
Surplus account	170,150,404
Acquisition account	36,241,863
Debt service reserve account	5,624,890
Bad debt reserve account	<u>8,011,432</u>
Total Restricted Assets	<u>\$ 301,315,680</u>

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets Being Depreciated				
Office improvements	\$ -	\$ 1,200,443	\$ -	\$ 1,200,443
Furniture and equipment	-	175,807	-	175,807
Total Capital Assets Being Depreciated	-	1,376,250	-	1,376,250
Less: Accumulated Depreciation for				
Office improvements	-	(60,022)	-	(60,022)
Furniture and equipment	-	(5,860)	-	(5,860)
Total Accumulated Depreciation	-	(65,882)	-	(65,882)
Capital Assets, Net of Depreciation	\$ -	\$ 1,310,368	\$ -	\$ 1,310,368

\$65,882 of depreciation expense was charged to the governmental activities function of administration expense.

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital Assets Being Depreciated				
Furniture and equipment	\$ -	\$ 28,601	\$ -	\$ 28,601
Total Capital Assets Being Depreciated	-	28,601	-	28,601
Less: Accumulated Depreciation for				
Furniture and equipment	-	(953)	-	(953)
Total Accumulated Depreciation	-	(953)	-	(953)
Capital Assets, Being Depreciated, Net	\$ -	\$ 27,648	\$ -	\$ 27,648

\$953 of depreciation expense was charged to the loan capital fund.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Other Liabilities					
Vested compensated absences	\$ 355,943	\$ 414,657	\$ 410,100	\$ 360,500	\$ 28,400
Total OPEB liability	314,250	-	12,000	302,250	-
Net pension liability	7,854,157	-	6,194,015	1,660,142	-
 Total Governmental Activities Long-Term Liabilities	 \$ 8,524,350	 \$ 414,657	 \$ 6,616,115	 \$ 2,322,892	 \$ 28,400
BUSINESS-TYPE ACTIVITIES					
Bonds Payable					
Revenue bonds	\$ 17,315,000	\$ 54,535,000	\$ 17,315,000	\$ 54,535,000	\$ -
Revenue bonds – direct placement	446,400,000	-	-	446,400,000	-
Add/(Subtract) Amounts For:					
(Discounts)/Premiums	115,109	461,345	195,256	381,198	-
Subtotal	463,830,109	54,996,345	17,510,256	501,316,198	-
 Other Liabilities					
Vested compensated absences	162,551	125,449	110,400	177,600	19,800
Total OPEB liability	104,750	-	4,000	100,750	-
Net pension liability	2,094,843	-	1,983,985	110,858	-
Subtotal	2,362,144	125,449	2,098,385	389,208	19,800
 Total Business-type Activities Long-Term Liabilities	 \$ 466,192,253	 \$ 55,121,794	 \$ 19,608,641	 \$ 501,705,406	 \$ 19,800

The issued revenue bonds and direct placement revenue bonds do not constitute debt of the State of Minnesota.

In accordance with Minnesota Statutes, the aggregate amount of revenue bonds and direct placement revenue bonds, issued directly by the Agency, outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed \$850,000,000. Revenue bonds and direct placement revenue bonds outstanding at year end were \$500,935,000.

All of the revenue and direct placement revenue bonds were issued to provide SELF student loans to borrowers.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

	Date of Issue	Final Maturity	Interest Rate as of 6-30-19	Interest Rates Reset (days)	Original Indebted- ness	Balance 6-30-19
REVENUE BONDS						
<u>Supplemental Student Loan Program Fixed Rate Revenue Bonds</u>						
Series 2018 revenue bonds	Nov 18	Nov 38	4.19%	n/a	\$ 54,535,000	<u>\$ 54,535,000</u>
REVENUE BONDS – DIRECT PLACEMENT						
<u>Supplemental Student Loan Program Variable Rate Revenue Bonds</u>						
Series 2017A taxable revenue bonds	July 17	Oct 46	3.36%	30	\$ 66,700,000	\$ 66,700,000
Series 2017C revenue bonds	July 17	Oct 46	2.70	30	58,300,000	58,300,000
Series 2012B revenue bonds	Sept 12	Aug 47	2.78	30	270,800,000	224,000,000
<u>Supplemental Student Loan Program Fixed Rate Revenue Bonds</u>						
Series 2017B revenue bonds	July 17	Oct 46	2.32	n/a	60,000,000	60,000,000
Series 2012B revenue bonds	Sept 12	May 38	2.58	n/a	37,400,000	<u>37,400,000</u>
Total Revenue Bonds – Direct Placement						<u>\$ 446,400,000</u>

Annual debt service requirements to maturity for revenue bonds and direct placement revenue bonds, including interest at June 30, 2019 rates for variable rate bonds, are as follows:

Years Ending June 30	Business-type Activities			
	Revenue Bonds		Revenue Bonds – Direct Placement	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ 2,285,017	\$ -	\$ 12,402,271
2021	-	2,285,017	-	12,402,271
2022	-	2,285,017	-	12,402,271
2023	1,335,000	2,274,110	-	12,402,271
2024	1,290,000	2,207,800	-	12,402,271
2025 - 2029	16,515,000	9,349,145	-	62,011,354
2030 - 2034	15,900,000	5,707,000	-	62,011,354
2035 - 2039	19,495,000	2,261,200	37,400,000	60,236,276
2040 - 2044	-	-	157,300,000	46,957,586
2045 - 2048	-	-	251,700,000	24,315,718
Totals	<u>\$ 54,535,000</u>	<u>\$ 28,654,306</u>	<u>\$ 446,400,000</u>	<u>\$ 317,543,643</u>

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

All the bond series, including direct placement bonds, are secured by the revenues derived by the Agency from student loans financed by the proceeds of the bonds. There is no additional collateral maintained for any of the bonds.

Rates on Revenue Bonds

The rates on the tax-exempt Series 2018 bonds are fixed and range from 4% - 5%. The serial bonds have a rate of 5% and maturity dates that range from November 2022 through November 2026. The term bond has a rate of 4% and a maturity date of 2037, but has mandatory sinking fund payments and mandatory redemption from November 2027 through November 2037.

Rates on Revenue Bonds – Direct Placement

The rates on the tax-exempt Series 2012B bonds are both fixed rate and variable rate. For the fixed rate bonds, the rate is set at 2.58%. For the variable rate bonds, the rate is a percentage of the one-month LIBOR plus a set margin and the rate changes monthly. The rate is adjusted by the margin rate factor if the maximum corporate tax rate changes. The bonds have mandatory redemption dates at various years throughout the life of the bonds with a balloon payment due at final maturity.

The rates on the taxable Series 2017A bonds are variable rate. For the variable rate bonds, the rate is a percentage of the one-month LIBOR plus a set margin and the rate changes monthly. The bonds have a mandatory balloon payment due at final maturity.

The rates on the tax-exempt Series 2017B bonds are fixed rate. For the fixed rate bonds, the rate is set at 2.32%. The bonds have a mandatory redemption date in 2043 and a balloon payment due at final maturity.

The rates on the tax-exempt Series 2017C bonds are variable rate. For the variable rate bonds, the rate is a percentage of the one-month LIBOR plus a set margin and the rate changes monthly. The bonds have a mandatory balloon payment due at final maturity.

Bond Indentures – Revenue Bonds and Direct Placement Revenue Bonds

The Series 2018 bonds require the Agency to maintain a debt service account equal to the greater of 2% of the outstanding revenue bond balance or \$550,000. The amount required to be on deposit at year end is \$1,090,700 and the Agency met this requirement. The Series 2017A, 2017B, and 2017C bonds require the Agency to maintain a debt service account equal to 1% of the outstanding revenue bond balance, subject to a minimum of \$500,000. The amount required to be on deposit at year end is \$1,850,000 and the Agency met this requirement. The Series 2012B bonds require the Agency to maintain a debt service account equal to 1% of the outstanding revenue bond balance. The amount required to be on deposit at year end is \$2,614,000 and the Agency met this requirement. There are a number of other limitations and restrictions contained in the various bond indentures (see also Note II.C.). The Agency believes it is in compliance with all significant limitations and restrictions.

All bond series, including direct placement bonds, are to be repaid solely from the money and investments held by the trustees.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Bond Indentures – Revenue Bonds and Direct Placement Revenue Bonds (cont.)

For all bonds, including direct placement bonds, an early repayment provision exists. For the Series 2012B bonds, the Agency must receive the written consent of the credit provider or bank purchaser, as applicable, prior to an optional redemption. The Agency must also pay a fee to the bank purchaser in connection with each optional redemption prior to the second anniversary of the effective date of the Continuing Covenant Agreement. While in variable mode, any Series 2017 bonds may be redeemed in whole or in part on any business day at the option of the issuer, with the prior written consent of the credit provider or bank purchaser, as applicable, at the redemption price. If only part of the Series 2017 bonds is to be redeemed, the part to be redeemed must be in the minimum amount of \$1,000,000 and integral multiples of \$1,000 thereafter. The foregoing sentence does not apply if the aggregate outstanding principal balance of a Series 2017 bonds to be redeemed is less than \$1,000,000. The Series 2018 bonds maturing on November 1, 2037 are subject to optional redemptions on any date occurring on or after November 1, 2026 at the option of the issuer. The Series 2018 Bonds maturing on November 1, 2037, are subject to optional redemptions prior to their stated maturity, in whole or in part, on each interest payment date that is a potential special optional excess revenues redemption date, in such amounts as directed by the issuer, but solely from excess revenues derived from or allocable to the Series 2018 bonds.

Advance Refunding

On July 31, 2018, the Agency used \$17,958,702 of existing funds to advance refund \$17,315,000 of the Series 2010 outstanding bonds with an average coupon rate of 4.2%. The existing funds of the Agency were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The Agency advance refunded the remaining outstanding balance of the 2010 bonds, due to their higher debt service reserve requirement and over-collateralization.

Substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is prohibited by the escrow agreement.

Arbitrage Regulations

The \$434,235,000 of tax-exempt bonds issued by the Agency are subject to the 1986 Tax Reform Act regulations relating to arbitrage reporting and rebate. Any earnings in excess of the bond yield plus 2% must be remitted to the U.S. government not more than five years following the issue date of the bonds. As of June 30, 2019, the Agency accrued no liability resulting from the excess yield on interest rates.

Other Debt Information

Estimated payments of vested compensated absences, total OPEB liability, and net pension liability are not included in the debt service requirement schedules. These liabilities that are attributable to governmental activities will be liquidated by the general, special revenue and gifts, and federal grant funds. See Note III.A for additional disclosures related to the net pension liability.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

F. NET POSITION

Certain net positions are classified in the statement of net position as restricted because their use is limited. The business-type activities report restricted net position for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of June 30, 2019, the business-type activities restricted net position is restricted for debt service.

The Agency's business-type activities net position (up to a certain level) is restricted for debt service according to bond financial covenants. The amount subject to the restriction increases each year and is as follows:

Years Ending June 30,

2019	\$ 625,000,000
2020	650,000,000
2021	675,000,000
2022	700,000,000
2023	725,000,000
2024 and thereafter	750,000,000

As the Agency's net position is less than the required minimum per the bond covenants, the net position is shown first as invested in capital assets and then as restricted for loan capital fund use, as required in the bond financial covenants.

NOTE III – OTHER INFORMATION

A. PENSION

Plan Description

The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS), and is established and administered in accordance with Minnesota Statutes, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, Suite 300, St. Paul, Minnesota, 55103; or by calling 651.296.2761 or 800.657.5757.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE III – OTHER INFORMATION (cont.)

A. *PENSION* (cont.)

Benefits Provided

MSRS provides retirement, disability, and death benefits to plan members and their beneficiaries through the SERF. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January. Annuitants received a benefit increase of 2.0 percent in 2018 and will receive a 1.0 percent increase through 2023 and 1.5 percent thereafter.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.75 percent and 5.875 percent, respectively, of their annual covered salary in fiscal year 2018. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2019 was \$261,562. These contributions were equal to the contractually required contributions as set by state statute.

Actuarial Assumptions

The Agency's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 generational mortality tables projected with mortality improvement scale MP-2015 from a base year of 2014. Benefit increases for retirees are assumed to be 2.0 percent in 2018, 1.0 percent through 2023, and 1.5 percent thereafter.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE III – OTHER INFORMATION (cont.)

A. PENSION (cont.)

Actuarial Assumptions (cont.)

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the period July 1, 2008, through June 30, 2014, with an update of economic assumptions in the fall of 2014.

The long-term expected rate of return on pension plan investments is 7.5 percent. During fiscal year 2016, the State Board of Investment (SBI) hired an outside consultant to perform a thorough asset and liability study. Based on the study, the SBI staff proposed an update to the asset allocation, which yields a lower nominal expected return. As a result of this study, and keeping in mind the national trends towards lower investment rate assumptions, the MSRS Board of Directors approved the use of a 7.5 percent long term expected rate of return assumption for the fiscal year 2018 actuarial valuations.

The SBI's long-term expected rate of return was determined using a building-block method. Best estimates of future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Results are summarized in the following table:

Asset Class	Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	36%	5.10%
International Equity	17%	5.30%
Fixed Income	20%	0.75%
Treasuries	0%	0.50%
Private Markets	25%	5.90%
Cash	2%	0.00%

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2018, was 7.50 percent. The projection of cash flows used to determine the single discount rates assumes that plan member and employer contributions will be made at the current statutory contribution rates. Based on the selected assumptions, the fiduciary net position was projected to be available to make all future benefit payments of current plan members through fiscal year 2118. Therefore, the discount rate is the long-term expected rate of return on pension plan investments, which was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability was 7.50 percent. The use of a 7.50 percent discount rate was an improvement from the previous year, when the single blended rate was 5.42 percent.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE III – OTHER INFORMATION (cont.)

A. PENSION (cont.)

Net Pension Liability

At June 30, 2019, the Agency reported a liability of \$1,771,000 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's contributions received by MSRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2018, the Agency's proportion was .16974 percent, which was a decrease of .00916 percent from its proportion measured as of June 30, 2017.

There were no changes of benefit terms for any participating employer in the Minnesota State Retirement System.

The following changes in actuarial assumptions occurred in 2018:

- > The single discount rate changed from 5.42 percent to 7.50 percent.

The following changes in plan provisions in 2018:

- > The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- > Member contributions increased from 5.50 percent to 5.75 percent of pay, effective July 1, 2018, and 6.00 percent of pay effective July 1, 2019.
- > Employer contributions increased from 5.50 percent to 5.875 percent of pay, effective July 1, 2018, and 6.25 percent of pay effective July 1, 2019.
- > Interest credited on member contributions will decrease from 4.0 to 3.0 percent, beginning July 1, 2018.
- > Deferred augmentation was changed to 0.0 percent for future accruing benefits effective January 1, 2019.
- > Contribution stabilizer provisions were repealed.
- > Post-retirement benefit increases were changed from a 2.0 to 2.5 percent per year increase based upon funded ratio, to a fixed rate of 1.0 percent for five years beginning January 1, 2019, and 1.5 percent per year thereafter.
- > For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE III – OTHER INFORMATION (cont.)

A. PENSION (cont.)

Pension Liability Sensitivity

The following presents the Agency's proportionate share of the net pension liability, calculated using the discount rate disclosed in the discount rate paragraph above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Agency's proportionate share of the net pension liability:	\$4,093,000	\$1,771,000	\$(157,000)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSRS Comprehensive Annual Financial Report, available on the MSRS website (www.msrs.state.mn.us/financial-information).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the Agency recognized pension expense (income) of \$(2,104,000). At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,000	\$ 134,000
Changes of assumptions	5,065,000	7,908,000
Net difference between projected and actual earnings on investments	-	443,000
Changes in proportion and differences between actual contributions and proportionate share of contributions	43,000	5,000
Contributions paid to MSRS subsequent to the measurement date	234,000	-
Totals	<u>\$ 5,391,000</u>	<u>\$ 8,490,000</u>

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE III – OTHER INFORMATION (cont.)

A. PENSION (cont.)

Amounts reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2020	\$ 23,000
2021	150,000
2022	(2,387,000)
2023	(1,119,000)

B. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The Agency is self-insured through the State of Minnesota for all types of losses. A fee is paid annually for property insurance and an administrative fee is paid annually for workers' compensation, but no other premiums are paid.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

From time to time, the Agency is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Agency's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Agency's financial position or results of operations.

The Agency has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Funding for the operating budget of the Agency's general fund comes from the State of Minnesota. The Agency's general fund is dependent on continued approval and funding by the Minnesota governor and legislature, through their budget processes. Any changes made by the State to appropriations for the Agency's general fund could have a significant impact on the future operating results of the Agency.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE III – OTHER INFORMATION (cont.)

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*
- > Statement No. 91, *Conduit Debt Obligations*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MINNESOTA OFFICE OF HIGHER EDUCATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
General Administration	\$ 4,070,000	\$ 4,975,458	\$ 4,975,458	\$ -
MN Link Gateway and Minitex Library	5,905,000	5,905,000	5,905,000	-
Emergency Assistance	175,000	318,080	318,080	-
Alternative Teacher Prep	-	377,994	377,994	-
Addiction Medicine Fellowship	-	210,000	210,000	-
American Indian Scholarship	3,500,000	2,990,438	2,990,438	-
Tribal College Grant	150,000	118,561	118,561	-
State Grant Program	198,356,000	208,806,854	208,806,854	-
Child Care Grants	6,694,000	7,096,030	7,096,030	-
Safety Officer Survivors	100,000	71,365	71,365	-
Summer Academic Enrichment	125,000	125,000	125,000	-
Interstate Reciprocity	11,018,000	8,342,360	8,342,360	-
State Work Study	14,502,000	14,715,338	14,715,338	-
MNSCU Two-Year Public College Program - Grants	-	(120,360)	(120,360)	-
Grants to Teacher Candidates	500,000	549,567	549,567	-
Grants to Teacher Candidates - Admin.	-	9,360	9,360	-
Large Animal Veterinarian Loan Forgiveness	375,000	-	-	-
Teacher Shortage Loan Forgiveness	200,000	-	-	-
Agriculture Loan Forgiveness	50,000	-	-	-
Aviation Loan Forgiveness	25,000	-	-	-
Intellectual and Developmental Disabilities Grant	200,000	380,185	380,185	-
Loan Repayment Assistance Program	25,000	25,000	25,000	-
Minnesota Life College	1,000,000	1,347,048	1,347,048	-
MN GI Bill Program	2,300,000	1,929,735	1,929,735	-
MN GI Bill Administration	100,000	93,698	93,698	-
Student Parent Information	122,000	131,882	131,882	-
MN Education Equity Partnership	45,000	-	-	-
Get Ready	180,000	332,245	332,245	-
Intervention College Attendance	671,000	633,874	633,874	-
Statewide Longitudinal Data	882,000	948,384	948,384	-
College Possible	250,000	250,000	250,000	-
Equity in Postsecondary Education	-	223,320	223,320	-
Student Employer Information System	405,000	288,135	288,135	-
Midwest Compact	115,000	115,000	115,000	-
United Family Practice	501,000	876,750	876,750	-
HCMC Program	645,000	645,000	645,000	-
Spinal Cord & Traumatic Brain Injury Research Grants	3,000,000	-	-	-
Campus Sexual Assault Reporting	25,000	41,280	41,280	-
Sexual Violence Prevention	100,000	62,107	62,107	-
Sexual Prevention Outreach	50,000	7,381	7,381	-
Dual Training Competency Grants: OHE	2,000,000	-	-	-
Dual Training Competency				
Grants: DOLI (Department of Labor & Industry)	200,000	-	-	-
Concurrent Enrollment Courses - New	225,000	179,124	179,124	-
Concurrent Enrollment Courses - Existing	115,000	116,387	116,387	-
Total Revenues	258,901,000	263,117,580	263,117,580	-

See independent auditors' report and accompanying notes to required supplementary information.

MINNESOTA OFFICE OF HIGHER EDUCATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual	With Final Budget
EXPENDITURES				
General Administration	\$ 4,070,000	\$ 5,000,516	\$ 4,975,458	\$ 25,058
MN Link Gateway and Minitex Library	5,905,000	5,905,000	5,905,000	-
Emergency Assistance	175,000	349,901	318,080	31,821
Alternative Teacher Prep	-	740,820	377,994	362,826
Addiction Medicine Fellowship	-	210,000	210,000	-
American Indian Scholarship	3,500,000	3,013,481	2,990,438	23,043
Tribal College Grant	150,000	118,561	118,561	-
State Grant Program	198,356,000	208,867,089	208,806,854	60,235
Child Care Grants	6,694,000	7,057,880	7,096,030	(38,150)
Safety Officer Survivors	100,000	71,365	71,365	-
Summer Academic Enrichment	125,000	125,000	125,000	-
Interstate Reciprocity	11,018,000	8,342,360	8,342,360	-
State Work Study	14,502,000	14,715,338	14,715,338	-
MNSCU Two-Year Public College Program - Grants	-	(79,729)	(120,360)	40,631
Grants to Teacher Candidates	500,000	549,567	549,567	-
Grants to Teacher Candidates - Admin.	-	9,360	9,360	-
Large Animal Veterinarian Loan Forgiveness	375,000	-	-	-
Teacher Shortage Loan Forgiveness	200,000	-	-	-
Agriculture Loan Forgiveness	50,000	-	-	-
Aviation Loan Forgiveness	25,000	-	-	-
Intellectual and Developmental Disabilities Grant	200,000	380,185	380,185	-
Loan Repayment Assistance Program	25,000	25,000	25,000	-
Minnesota Life College	1,000,000	1,347,048	1,347,048	-
MN GI Bill Program	2,300,000	2,290,346	1,929,735	360,611
MN GI Bill Administration	100,000	91,775	93,698	(1,923)
Student Parent Information	122,000	138,417	131,882	6,535
MN Education Equity Partnership	45,000	45,000	-	45,000
Get Ready	180,000	449,315	332,245	117,070
Intervention College Attendance	671,000	740,499	633,874	106,625
Statewide Longitudinal Data	882,000	955,808	948,384	7,424
College Possible	250,000	250,000	250,000	-
Equity in Postsecondary Education	-	321,301	223,320	97,981
Student Employer Information System	405,000	405,000	288,135	116,865
Midwest Compact	115,000	115,000	115,000	-
United Family Practice	501,000	501,000	876,750	(375,750)
HCMC Program	645,000	645,000	645,000	-
Spinal Cord & Traumatic Brain Injury Research Grants	3,000,000	-	-	-
Campus Sexual Assault Reporting	25,000	41,280	41,280	-
Sexual Violence Prevention	100,000	62,107	62,107	-
Sexual Prevention Outreach	50,000	7,381	7,381	-
Dual Training Competency Grants: OHE	2,000,000	-	-	-
Dual Training Competency				
Grants: DOLI (Department of Labor & Industry)	200,000	-	-	-
Concurrent Enrollment Courses - New	225,000	421,644	179,124	242,520
Concurrent Enrollment Courses - Existing	115,000	189,761	116,387	73,374
Total Expenditures	<u>258,901,000</u>	<u>264,419,376</u>	<u>263,117,580</u>	<u>1,301,796</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,301,796)</u>	<u>\$ -</u>	<u>\$ 1,301,796</u>

See independent auditors' report and accompanying notes to required supplementary information.

MINNESOTA OFFICE OF HIGHER EDUCATION

SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY STATE EMPLOYEES RETIREMENT FUND (SERF) For the Year Ended June 30, 2019

SERF Fiscal Year End Date (Measurement Date)	Agency's Proportion of the Net Pension Liability	Agency's Proportionate Share of the Net Pension Liability	Agency's Covered Payroll	Agency's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/18	0.16974%	\$ 1,771,000	\$ 4,081,578	43.39%	90.56%
6/30/17	0.17890%	9,949,000	4,064,510	244.78%	62.73%
6/30/16	0.16806%	15,549,000	3,674,811	423.12%	47.51%
6/30/15	0.16390%	1,883,000	3,365,517	55.95%	88.32%
6/30/14	0.16080%	1,930,000	3,847,610	50.16%	87.64%

SCHEDULE OF CONTRIBUTIONS STATE EMPLOYEES RETIREMENT FUND (SERF) For the Year Ended June 30, 2019

Agency Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/19	\$ 261,562	\$ 261,562	\$ -	\$ 4,407,947	5.93%
6/30/18	225,299	225,299	-	4,081,578	5.52%
6/30/17	215,688	215,688	-	4,064,510	5.31%
6/30/16	198,648	198,648	-	3,674,811	5.41%
6/30/15	182,084	182,084	-	3,365,517	5.41%

See independent auditors' report and accompanying notes to required supplementary information.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2019

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

The State of Minnesota operates on a biennial budget. Every other year Agency appropriations must be approved by the Senate and the House of Representatives, and signed by the governor for the upcoming two year period, which begins in July of odd numbered years. Budgets for each appropriation awarded to the Agency are prepared by the Agency and submitted to the Minnesota Management and Budget Agency and set up in the state's accounting system.

Expenditures cannot legally exceed the total initially appropriated unless supplemental appropriations are enacted into law.

The budget is prepared in accordance with generally accepted accounting principles. Budgetary control is at the appropriation level. Unexpended appropriations from the first year (year ended June 30, 2018) of the biennium are carried over and are available for operations in the second year (year ended June 30, 2019) of the biennium.

Unspent appropriations at the end of a biennium shall be returned to the fund from which appropriated. The Agency's expenditures are classified according to the State administrative guidelines. Agency funds are disbursed by the Minnesota Management and Budget Agency.

A budget has been legally adopted for the Agency's general fund. The budgeted amounts presented include any amendments made. The chief financial officer may authorize transfers of budgeted amounts between appropriations as allowable by state statutes.

MINNESOTA STATE RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of June 30 of the prior fiscal year.

The Agency is required to present the last 10 fiscal years of data; however accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Minnesota State Retirement System.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2019

MINNESOTA STATE RETIREMENT SYSTEM (cont.)

Changes in Actuarial Assumptions and Plan Provisions

2018 Changes

Changes in Actuarial Assumptions:

- > The single discount rate changed from 5.42 percent to 7.50 percent.

Changes in Plan Provisions:

- > The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- > Member contributions increased from 5.50 percent to 5.75 percent of pay, effective July 1, 2018, and 6.00 percent of pay effective July 1, 2019.
- > Employer contributions increased from 5.50 percent to 5.875 percent of pay, effective July 1, 2018, and 6.25 percent of pay effective July 1, 2019.
- > Interest credited on member contributions will decrease from 4.0 to 3.0 percent, beginning July 1, 2018.
- > Deferred augmentation was changed to 0.0 percent for future accruing benefits effective January 1, 2019.
- > Contribution stabilizer provisions were repealed.
- > Post-retirement benefit increases were changed from a 2.0 to 2.5 percent per year increase based upon funded ratio, to a fixed rate of 1.0 percent for five years beginning January 1, 2019, and 1.5 percent per year thereafter.
- > For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

2017 Changes

Changes in Actuarial Assumptions:

- > The Combined Service Annuity loads were changed from 1.2 percent for active members and 40.0 percent for deferred members, to 0.0 percent for active members, 4.0 percent for vested deferred members, and 5.0 percent for non-vested deferred members.
- > The single discount rate changed from 4.17 percent to 5.42 percent.

Changes in Plan Provisions:

- > Actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

2016 Changes

Changes in Actuarial Assumptions:

- > Assumed salary increase rates were changed to rates that average 0.2 percent greater than the previous rates.
- > Assumed rates of retirement were changed, resulting in fewer unreduced retirements and fewer Rule of 90 retirements. Distinct rates for reduced (Early) retirements were adopted for members hired prior to July 1, 1989, and members hired after June 30, 1989.
- > Assumed rates of termination were changed, with new rates generally greater than the previous rates for years 3 through 9 and less than the previous rates after 15 years.
- > Assumed rates of disability for females were reduced to 75.0 percent of previous rates. Rates for male members were lowered by utilizing the same disability rates as for females.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2019

MINNESOTA STATE RETIREMENT SYSTEM (cont.)

Changes in Actuarial Assumptions and Plan Provisions (cont.)

2016 Changes (cont.)

Changes in Actuarial Assumptions: (cont.)

- > The base mortality table for healthy annuitants and employees was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2014), white collar adjustments, with age adjustments. The mortality improvement scale was changed from Scale AA to Scale MP-2015. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table (no projection for future mortality improvement) to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2015), with age adjustments.
- > The percent married assumption was changed from 85 percent of active male members and 70 percent of female members to 80 percent of active male members and 65 percent of active female members.
- > The assumed number of married male new retirees electing the 75 percent Joint & Survivor option changed from 10 percent to 15 percent. The assumed number of married female new retirees electing the 75 percent and 100 percent Joint & Survivor options changed from 0 percent to 10 percent and from 25 percent to 30 percent, respectively. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- > The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2043 and 2.5 percent per year thereafter, to 2.0 percent per year for all future years.
- > The long-term expected rate of return on pension plan investments was changed from 7.90 percent to 7.50 percent.
- > The single discount rate changed from 7.90 percent to 4.17 percent.
- > The inflation assumption was changed from 2.75 percent to 2.50 percent.
- > The payroll growth assumption was changed from 3.50 percent to 3.25 percent.

Changes in Plan Provisions:

- > There were no changes in plan provisions in 2016.

2015 Changes

Changes in Actuarial Assumptions:

- > The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2015 and 2.5 percent per year thereafter, to 2.0 percent per year through 2043 and 2.5 percent per year thereafter.

Changes in Plan Provisions:

- > The Contribution Stabilizer statutes were revised to make changes to contribution rates less prescriptive and more flexible.
- > Effective July 1, 2015, if the 2.5 percent post-retirement benefit increase is triggered and the funded ratio subsequently drops below 80.0 percent for the most recent valuation year or 85.0 percent for two consecutive years, the post-retirement benefit increase will change to 2.0 percent until the plan again reaches a 90.0 percent funded ratio for two consecutive years.

MINNESOTA OFFICE OF HIGHER EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2019

MINNESOTA STATE RETIREMENT SYSTEM (cont.)

Changes in Actuarial Assumptions and Plan Provisions (cont.)

2014 Changes

Changes in Actuarial Assumptions:

- > The assumed post-retirement benefit increase rate was changed from 2.0 percent per year indefinitely, to 2.0 percent per year through 2015 and 2.5 percent per year thereafter.
- > The long-term expected rate of return on pension plan investments changed from 6.63 percent to 7.90 percent.

Changes in Plan Provisions:

- > The member and employer contribution rates increased from 5.0 percent to 5.5 percent of pay.
- > The funded ratio threshold that must be attained to pay a 2.5 percent post-retirement benefit increase to benefit recipients was changed from 90.0 percent for one year to 90.0 percent for two consecutive years.

SUPPLEMENTARY INFORMATION

MINNESOTA OFFICE OF HIGHER EDUCATION

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of June 30, 2019

	Special Revenues and Gifts Fund	Federal Grant Fund	Totals
ASSETS			
Cash and investments	\$ 10,108,766	\$ 1,610	\$ 10,110,376
Accounts receivable	26,297	19,946	46,243
Due from other governments	-	160,594	160,594
TOTAL ASSETS	\$ 10,135,063	\$ 182,150	\$ 10,317,213
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 436,072	\$ 74,346	\$ 510,418
Accrued liabilities	30,869	84,273	115,142
Due to other governments	-	23,531	23,531
Total Liabilities	466,941	182,150	649,091
Fund Balances			
Restricted for administration and financial aid programs	8,721,492	-	8,721,492
Assigned	946,630	-	946,630
Total Fund Balances	9,668,122	-	9,668,122
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,135,063	\$ 182,150	\$ 10,317,213

MINNESOTA OFFICE OF HIGHER EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2019

	Special Revenues and Gifts Fund	Federal Grant Fund	Totals
REVENUES			
State appropriations	\$ 7,175,928	\$ -	\$ 7,175,928
Federal grants	474,084	2,632,791	3,106,875
Registration and licensing fees	330,332	-	330,332
Other revenue	296,420	-	296,420
Total Revenues	<u>8,276,764</u>	<u>2,632,791</u>	<u>10,909,555</u>
EXPENDITURES			
Administration and financial aid programs	5,648,570	-	5,648,570
Federal grants	387,181	2,632,791	3,019,972
Total Expenditures	<u>6,035,751</u>	<u>2,632,791</u>	<u>8,668,542</u>
Excess of revenues over expenditures	2,241,013	-	2,241,013
FUND BALANCE - Beginning of Year	<u>7,427,109</u>	<u>-</u>	<u>7,427,109</u>
FUND BALANCE - END OF YEAR	<u>\$ 9,668,122</u>	<u>\$ -</u>	<u>\$ 9,668,122</u>

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APPENDIX B

DEFINITIONS OF TERMS AND SUMMARY OF THE INDENTURE

The following are definitions of terms used in this Official Statement and in the General Indenture and the Second Supplement along with brief descriptions of the General Indenture and Second Supplement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the General Indenture, the First Supplement or the Second Supplement are qualified in their entirety by reference to the definitive forms of such documents, copies of which are available for review at the offices of the Underwriter, and after issuance, at the office of the Trustee.

CERTAIN DEFINITIONS

“Academic Year” means: (a) a period of time, typically eight or nine months, in which a full-time student is expected to complete the equivalent of at least two semesters, two trimesters, or three quarters at an Eligible Institution using credit hours; or (b) at least 900 clock hours of training for a program at an Eligible Institution using clock hours.

“Account” means any of the accounts created and established by the Indenture within any Fund.

“Accountant” means any independent certified public accountant selected by the Issuer.

“Accountant’s Certificate” means the report of an Accountant as to audits or other procedures called for by the General Indenture as the case may be, stating that the financial statements examined present fairly the financial position of the Issuer as of the end of a Fiscal Year, the results of the Issuer’s operations and changes in financial position for the period examined, in conformity with GAAP.

“Acquisition Fund” means the Fund with that name created under the General Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts—Acquisition Fund*” in this Appendix B.

“Act” means Minnesota Statutes, Sections 136A.15 through 136A.1787, as amended.

“Assignment” means an agreement by the Issuer pledging Student Loans to the Trustee as collateral for any Bonds, as amended and supplemented pursuant to its terms.

“Authenticating Agent” means the Trustee or any other Indenture Agent authorized in a Supplemental Indenture to perform the acts required of such agent in conformance with the provisions of the General Indenture and such Supplemental Indenture.

“Authorized Denomination(s)” means \$5,000 or any integral multiple thereof unless otherwise specified in a Supplemental Indenture.

“Authorized Representative” means the Commissioner, the Chief Financial Officer or the Finance & Accountability Manager of the Issuer, or any other Person designated in writing by the Commissioner to act as the authorized representative of the Issuer.

“Bailment Agreement” means an agreement with a Servicer or Subservicer as bailee providing for the bailee to hold Notes and any related documentation on behalf of the Trustee for purposes of perfecting the security interest of the Trustee in the Student Loans pledged as collateral pursuant to an Assignment. For purposes of the Second Supplement, *“Bailment Agreement”* refers to the Amended and Restated

Bailment Agreement, dated as of the Issue Date of the Series 2020 Bonds, among the Issuer, the Trustee and the Servicer, as bailee, relating to the Student Loans, as amended and supplemented pursuant to its terms.

“Beneficial Owner” means, when a Series is registered in the Book-Entry System, any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, a Securities Depository or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bona Fide Debt Service Fund” generally means a fund, which may include proceeds of the Series 2020 Bonds, that is used or expected to be used to pay debt service on the Series 2020 Bonds and that: (a) is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and (b) is depleted at least once each Bond Year, except for a carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding Bond Year; or (ii) 1/12 of the principal and interest payments on the Series 2020 Bonds for the immediately preceding Bond Year.

“Bond” means one of the bonds authenticated and delivered under the Indenture, including any additional or refunding Bonds.

“Bond Counsel” means the firm of Kutak Rock LLP, or any other firm of attorneys designated by the Issuer and admitted to practice law before the highest court of any state and nationally recognized in the field of municipal finance.

“Bond Payment Date” means the date or dates specified in any Supplemental Indenture for payment of principal of or interest on a Series.

“Bond Purchase Agreement” with respect to a Series, means the agreement entered into between the Issuer and the Underwriter relating to the underwriting and purchase of such Series by the Underwriter.

“Bond Register” means the books of the Issuer in which the registration, transfer and exchange of the ownership of the Bonds is recorded and which are maintained by and kept at the Principal Office of the Registrar as further provided in the General Indenture.

“Bond Year” means, for each Series, unless otherwise provided in a Supplemental Indenture for such Series, the period ending on April 30 and each 12-month period thereafter, so long as any of the Bonds of that Series are Outstanding.

“Book-Entry Form” or *“Book-Entry System”* means a form or system under which (a) the beneficial right to principal and interest may be transferred only through a book entry, (b) physical securities in registered form are issued only to a Securities Depository or its nominee as registered holder, with the securities “immobilized” to the custody of the Securities Depository, (c) the book entry is the record that identifies the owners of beneficial interests in that principal and interest, and (d) is the designated form or system for a Series in a Supplemental Indenture.

“Borrower” except as limited in a Supplemental Indenture with respect to a particular Series, means the Person or Persons entering into a Student Loan transaction with the Issuer under its Student Loan Program.

“*Borrower Benefits*” means a reduction in the interest rate on Student Loans in an amount consistent with the assumptions provided to the Rating Agency in conjunction with the issuance of the Series 2020 Bonds or such greater amount as to which the Issuer has complied with the requirements of an Event Notification.

“*Business Day*” means any day other than a Saturday, Sunday or legal holiday on which banks in the State of New York, the State, or the city in which the Principal Office of the Trustee are authorized to close or are closed or rendered inoperable due to natural disaster, or on which the New York Stock Exchange is closed, as applicable.

“*By Class in Descending Priority*” means any treatment of Bonds or Owners according to the priority of the Class of such Bonds, regardless of Series. Whenever the General Indenture provides for the payment, consent, permission or direction by Owners “*By Class in Descending Priority*,” it means, as the context requires, that either (a) the Owners of the Highest Priority Bonds then Outstanding will be paid prior to the Owners of the lower priority Classes or (b) the Owners in the particular percentage of ownership described of the Highest Priority Bonds then Outstanding and affected by the matter under consideration shall effect such consent, permission or direction; provided, however, that matters affecting only one Class need be approved only by the Owners of the particular percentage of that Class except as otherwise provided in the General Indenture.

“*Capitalized Interest Fund*” means the Fund with that name created under the General Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts—Capitalized Interest Fund*” in this Appendix B.

“*Cash Flow Projection*” means a projection as to future Revenues through the final maturity of the Outstanding Bonds based upon existing facts and assumptions accepted by each Rating Agency then rating any Bonds; provided that, to the extent that the Issuer has not received new assumptions with respect to a given Cash Flow Projection, such Cash Flow Projection will be based, where appropriate, upon the assumptions used in connection with the most recent Cash Flow Projection furnished to the Rating Agencies.

“*Cede*” means Cede & Co., as nominee of The Depository Trust Company, New York, New York (together with any substitute Securities Depositories appointed under the Second Supplement).

“*Certificate*” means a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters as required under the Indenture.

“*Class*” means a designation applicable to Bonds of a single Series, which establishes the security and order of payment of principal and interest from the Trust Estate, with Class I being of the highest priority and the order of priority descending as the Roman numeral identifying the Class increases. Only two Classes of Bonds are permitted by the General Indenture.

“*Class I Bonds*” means all Bonds secured under the Indenture on a priority senior to the Class II Bonds.

“*Class I Bonds Parity Ratio*” as of any date of calculation, means the ratio derived by dividing (a) the sum of the Value of (i) all Student Loans, and (ii) all cash and Investment Securities in the Funds and Accounts (excluding the Rebate Fund, the Excess Interest Fund and amounts irrevocably set aside to pay particular Bonds as provided under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defeasance*” in this Appendix B), by (b) the sum of (i) the principal of and accrued interest on

all Outstanding Class I Bonds, and (ii) all accrued but unpaid Program Expenses, together with any required late fees or interest thereon.

“*Class II Bonds*” means any Bonds secured under the Indenture on a priority subordinate to the Class I Bonds.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations, rulings and court decisions promulgated thereunder and pertaining thereto. Such regulations also include any successor provision to any existing regulations thereafter promulgated by the Internal Revenue Service under Section 103 and Sections 141 through 150 of the Code applicable to the Bonds.

“*Commissioner*” means the chief executive officer of the Issuer, appointed by the governor of the State, and any other person authorized in writing to perform any or all duties of the Commissioner.

“*Computation Date*” means, with respect to each Series of Tax-exempt Bonds, a date as of which the Rebate Amount is calculated, which is required to be no later than the end of the fifth Bond Year after the Issue Date for a Series and the end day of each fifth Bond Year thereafter while any of the Bonds of the Series is Outstanding, and the day upon which the last Bond of such Series is retired.

“*Continuing Disclosure Agreement*” means the Continuing Disclosure Agreement, dated as of March 1, 2020, executed by the Issuer and U.S. Bank National Association, as dissemination agent, as amended and supplemented pursuant to its terms.

“*Cosigner*” means an individual who has entered into an agreement with the Issuer to guarantee a student loan. For all SELF Loans, the Cosigner must meet the requirements of Minnesota Rules, Part 4850.0011, Subparts 9 and 10, as amended. Under the SELF Refi Program, a Cosigner, if required by the Issuer, must comply with credit qualifications specified by the Issuer.

“*Costs of Issuance*” means all items of expense, directly or indirectly payable by the Issuer and related to the authorization, sale and issuance of Bonds, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, any premiums, underwriting fees, initial fees and charges of any Indenture Agent, legal fees, including Bond Counsel fees and expenses and Underwriter’s counsel fees and expenses (if charged to the Issuer), Trustee’s counsel fees and expenses, fees and disbursements of consultants and professionals, Issuer staff travel and expenses related to a Series, cost of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds and any other cost, charge or fee in connection with the original issuance of Bonds.

“*Cumulative Sinking Fund Term Bonds*” means Term Bonds for which any insufficiency with respect to a Sinking Fund Payment accrues and is added to the next scheduled Sinking Fund Payment or the amount payable on the Stated Maturity, as the case may be, in accordance with the applicable Supplemental Indenture.

“*Debt Service*” means, as the context requires, with respect to any particular Fiscal Year or Bond Payment Date and any particular Series, an amount equal to the sum of (a) all interest payable on such Bonds during such Fiscal Year or on such Bond Payment Date, plus (b) any Principal Installments of such Bonds payable during such Fiscal Year or on such Bond Payment Date, plus (c) any additional applicable premium payable on such Bonds during such Fiscal Year or on such Bond Payment Date.

“*Debt Service Reserve Fund*” means the Fund with that name created under the General Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts—Debt Service Reserve Fund*” in this Appendix B.

“Debt Service Reserve Requirement” is the aggregate of such requirement for all Outstanding Series specified in the Supplemental Indentures for each such Series. For purposes of the First Supplement, *“Debt Service Reserve Requirement”* means with respect to the Series 2018 Bonds, the greater of (a) 2.0% of the Outstanding principal amount of the Series 2018 Bonds, or (b) 1.0% of the initial principal amount of the Series 2018 Bonds; provided, however, that either of such amounts may be reduced if the Issuer has satisfied the requirements of an Event Notification as to such reduction. For purposes of the Second Supplement, *“Debt Service Reserve Requirement”* means with respect to the Series 2020 Bonds, the greater of (a) 2.0% of the Outstanding principal amount of the Series 2020 Bonds, or (b) 1.0% of the initial principal amount of the Series 2020 Bonds; provided, however, that either of such amounts may be reduced if the Issuer has satisfied the requirements of an Event Notification as to such reduction.

“Default Claim” means a notice of default on a Student Loan filed by the Servicer with the Issuer under a Servicing Agreement.

“Defaulted Interest” means any interest due on Outstanding Bonds on an Interest Payment Date that is not paid or provided for on such Interest Payment Date.

“Defaulted Student Loan” means, as of any date of determination, any Student Loan with respect to which (a) a Default Claim has been filed, or (b) any installment of principal or interest was not paid when due (as determined under the related Student Loan without regard to any waiver or forbearance granted by the Issuer or the Servicer) and has remained unpaid for a period of 165 days.

“DTC” means The Depository Trust Company, a New York corporation, its successors and assigns.

“Electronic Notice” means notice transmitted through a facsimile machine or the Internet, if operative between any two parties, for which electronic confirmation of error free receipt has been received by the sender.

“Eligible Account” means, at any time, a segregated trust account with an Eligible Depository.

“Eligible Depository” means a depository institution organized under the laws of the United States of America or any one of the States or the District of Columbia (or any domestic branch of a foreign bank) (a) whose deposits are insured by the FDIC; (b) which has (i) a long-term unsecured debt rating of at least “A” by S&P, so long as S&P maintains a rating on the Bonds and (ii) carries a rating from each other Rating Agency at any time rating the Bonds in one of their generic rating categories which signifies investment grade; and (c) has corporate trust powers. If so qualified, the Trustee or any Paying Agent may be considered an Eligible Depository.

“Eligible Institution” has the meaning assigned in Section 136A.15 of the Act and means an institution (a) that meets the eligibility requirements of Sections 136A.103 and 136A.155 of the Act, and (b) which has entered into an Institutional Participation Agreement.

“Event Notification” means that the Issuer has given each Rating Agency notice of a proposed action, failure to act, or other event specified in the notice, at least 10 days prior to the occurrence of such event and the Issuer reasonably believes that the proposed action, failure to act, or other event specified in the Event Notification will not adversely affect the Owners of the Bonds.

“*Event of Default*” means any of the events described as such under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defaults and Remedies—Events of Default*” in this Appendix B.

“*Excess Coverage*” means, as of any date of calculation set forth in a Certificate of an Authorized Representative delivered to the Trustee, the lesser of (a) the amount, expressed in dollars, by which the Class I Bonds Parity Ratio exceeds the Minimum Class I Bonds Parity Ratio and (b) as applicable, the Value of (i) all Student Loans and (ii) all cash and Investment Securities in the Funds and Accounts (excluding the Rebate Fund, the Excess Interest Fund and amounts irrevocably set aside to pay particular Bonds as provided under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defeasance* in this Appendix B) exceeds the Minimum Value.

“*Excess Interest*” means as of the second-to-last Business Day of each March and September (the second month preceding each Interest Payment Date), the smallest amount that, if treated as a payment for the Student Loans (i.e., taken into account in calculating Yield) paid on that date, would reduce the Yield on the Student Loans financed by a Series of Tax-exempt Bonds to a Yield that is not higher than the Yield on the Bonds of such Series plus the Permitted Spread.

“*Excess Interest Calculation Date*” means, with respect to each Series of Tax-exempt Bonds, a date as of which Excess Interest is calculated, which is required to be no later than the end of the tenth Bond Year for a Series and the end of each Bond Year thereafter while any of the Bonds of the Series is Outstanding, and the day upon which the last Bond of such Series is retired.

“*Excess Interest Fund*” means the Fund, if any, with that name created in accordance with the General Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts—Excess Interest Fund*” in this Appendix B.

“*Excess Revenues*” means as of the second-to-last Business Day of each March and September (the second month preceding each Interest Payment Date), any funds transferred on each Monthly Deposit Date occurring prior to each such date to the Surplus Fund in accordance with the General Indenture and remaining in the Surplus Fund, after taking into account amounts necessary (a) if such Interest Payment Date is also a Principal Payment Date, to pay the principal and interest due and payable on the Bonds on such Interest Payment Date, (b) if such Interest Payment Date is not a Principal Payment Date, to pay the interest due and payable on the Bonds on such Interest Payment Date and one-half of the principal due and payable on the next succeeding Principal Payment Date, and (c) to make all other payments or transfers required to be made from the Revenue Fund on the next Monthly Deposit Date under clauses (a) through (e) of the second paragraph under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture; Establishment of Funds and Accounts—Revenue Fund*” in this Appendix B (determined without respect to any special redemption of Bonds from Excess Revenues permitted under the applicable Supplemental Indenture) and from the Surplus Fund under clauses (a) and (b) under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture; Establishment of Funds and Accounts—Surplus Fund*” in this Appendix B, on or prior to such Interest Payment Date.

“*Favorable Opinion*” means an Opinion of Bond Counsel: (a) that the action proposed to be taken is authorized or permitted by the General Indenture and any applicable Supplemental Indenture; (b) that the action proposed to be taken does not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-exempt Bonds which are the subject of such opinion; (c) in the case of a Favorable Opinion delivered in connection with a Supplemental Indenture, which includes the opinion that the applicable Supplemental Indenture (i) has been duly and lawfully executed by the Issuer in accordance with the provisions of the Indenture, (ii) is authorized or permitted by the

Indenture and all conditions precedent have been satisfied, and (iii) assuming due authorization, execution and delivery by the other parties thereto, is valid and binding upon the Issuer; and (d) in the case of a Favorable Opinion delivered in connection with the defeasance of Bonds, which includes the opinion that the Issuer has satisfied all conditions precedent to defeasance of the subject Bonds.

“*Federally Taxable Bonds*” means Bonds so designated by the Supplemental Indenture under which they are issued, the interest on which is not intended to be excludable from gross income for federal income tax purposes.

“*FICO Score*” means a person’s credit score calculated with software from Fair Isaac Corporation (FICO).

“*Finance*,” “*Financed*” and “*Financing*” mean, when used with reference to post-high school education indebtedness as the context requires, (i) Originating a student loan from the proceeds of a Series, (ii) acquisition of a student loan by the Issuer by exchange or otherwise, and if acquired for money, from the proceeds of a Series, (iii) the participation by the Issuer, either alone or with others, in the Origination of a student loan from the proceeds of a Series, (iv) refinancing post-high school education indebtedness by the Issuer through a student loan, or (v) reimbursing the Issuer from the proceeds of a Series for one or more student loans Originated from moneys on deposit in the Loan Capital Fund.

“*First Supplement*” means the First Supplemental Indenture, dated as of November 1, 2018, between the Issuer and the Trustee, as amended and supplemented from time to time.

“*Fiscal Year*” means a 12-month period commencing on the 1st day of July of any calendar year, or such other 12-month period adopted by the Issuer as its fiscal year for accounting purposes.

“*Fitch*” means Fitch Ratings, its successors and assigns, and, if Fitch is dissolved or liquidated or no longer performs the functions of a securities rating agency, “*Fitch*” is deemed to refer to any other nationally recognized securities rating agency designated in an Issuer Order delivered to the Trustee.

“*Four-year and Graduate Schools*” means public, private nonprofit and for-profit institutions predominantly offering four-year and/or graduate degrees.

“*Fund(s)*” means any or all, as the context requires, of the funds created and established under the General Indenture, including the Funds and Accounts, the Rebate Fund and the Excess Interest Fund and any funds and accounts created and established in a Supplemental Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts*” in this Appendix B.

“*Funds and Accounts*” means the Revenue Fund, the Acquisition Fund, the Surplus Fund, the Student Loan Fund, the Redemption Fund, the Capitalized Interest Fund and the Debt Service Reserve Fund created pursuant to the General Indenture. “*Fund or Account*” refers to any one of the Funds and Accounts. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts*” in this Appendix B.

“*GAAP*” means the generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination as modified in

accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect and consistently applied.

“General Indenture” means the General Indenture, by and between the Issuer and the Trustee, dated as of November 1, 2018, as amended and supplemented from time to time.

“Governmental Obligations” means direct obligations of the United States of America and other obligations, the principal and interest of which are guaranteed by the United States of America as to full and timely payment.

“Grade Level” means the relative status of an eligible student in a degree or certificate granting program as determined by the Eligible Institution based on credits earned and usually corresponds to an Academic Year. For example, an eligible student in the second Academic Year of a four-year program would be in Grade Level 2.

“Gross Proceeds” when used with respect to a Series of the Tax-exempt Bonds, means “gross proceeds” within the meaning of § 1.148-1(b) of the Treasury Regulations.

“Half-time Student” has the meaning assigned in Minnesota Rules, Part 4850.0011, subpart 22, as amended. As of the date of the Second Supplement “Half-time Student” is defined as “one who is enrolled in an eligible school and carrying a half-time academic workload as determined by the eligible school that amounts to at least one-half the workload of a full-time certificate or degree seeking student. In eligible schools utilizing clock hours, half-time enrollment includes programs requiring at least 300 clock hours.”

“Highest Priority Bonds” means (a) at any time Class I Bonds are Outstanding, the Class I Bonds; and (b) at any time when no Class I Bonds are Outstanding, the Class II Bonds.

“Indenture” means the General Indenture, all Supplemental Indentures and all amendments and supplements to the General Indenture and any Supplemental Indentures.

“Indenture Agent” means the Trustee, the Registrar, the Authenticating Agent, any Eligible Depository, any Paying Agent and any additional agent authorized in a Supplemental Indenture.

“Institutional Participation Agreement” means a written agreement between the Issuer and an Eligible Institution, signed by the chief executive officer of the Eligible Institution in which the Eligible Institution agrees to perform certain administrative procedures.

“Interest Payment Date” means each regularly scheduled interest payment date with respect to the Bonds (which is each May 1 and November 1) or, with respect to the payment of interest upon redemption or acceleration of a Bond or the payment of Defaulted Interest, the date on which such interest is payable under the Indenture, and with respect to the Series 2020 Bonds means each May 1 and November 1, commencing November 1, 2020.

“Investment” or *“Investments”* has the meaning stated in § 1.148-1(b) of the Treasury Regulations and includes: (a) any security within the meaning of Section 165(g)(2)(A) or (B) of the Code; (b) any obligation, including United States Treasury bonds, notes, and bills and bank deposits, whether or not certificated or interest bearing, but, except as otherwise provided in Section 148(b)(3)(B) of the Code, excluding obligations the interest on which is, in the Opinion of Bond Counsel, excludable from the gross income of any owner under the Code or the Internal Revenue Code of 1954, as amended to the date of

issuance of such obligation; (c) any annuity contract; or (d) any other investment-type property described in § 1.148-1(e) of the Treasury Regulations.

“*Investment Securities*” means, to the extent permitted by Minnesota Statutes, Section 11A.24 and Section 136A.16, Subdivision 8 of the Act, the following categories of securities, which may be further restricted by the terms of any Supplemental Indenture or State law and which, if not otherwise specified, are required to be valued at par and with a maturity of not more than 365 days from the date of purchase:

(a) U.S. Treasury obligations (all direct or fully guaranteed obligations); U.S. Department of Housing and Urban Development public housing agency bonds (previously known as local authority bonds); Federal Housing Administration debentures; Government National Mortgage Association (GNMA) guaranteed mortgage backed securities (MBS) or participation certificates; Resolution Funding Corporation (RefCorp) debt obligations; or Small Business Association guaranteed participation certificates and guaranteed pool certificates;

(b) interest bearing time or demand deposits, certificates of deposit or other similar banking arrangements with Eligible Depositories, including the Trustee and any of its affiliates, which are members of the Federal Deposit Insurance Corporation; provided, such Eligible Depository has commercial paper which is rated “F1+” by Fitch and “A-1+” by S&P and has the required ratings from Moody’s corresponding to the duration of such investment;

(c) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Home Loan Mortgage Corporation; the Federal National Mortgage Association; Federal Home Loan Banks provided such obligation is rated “AAA” by Fitch and S&P and “Aaa” by Moody’s;

(d) commercial paper, including that of the Trustee and any of its affiliates, which is rated in the single highest classification, “F1+” by Fitch and “A-1+” by S&P and has the required ratings from Moody’s corresponding to the duration of such investment set forth below, and which matures not more than 270 days after the date of purchase; and

(e) investments in a money market fund rated “AAAmmf” by Fitch, “AAAm” by S&P and “Aaa mf” by Moody’s, including funds for which the Trustee or an affiliate thereof acts as an investment advisor or provides other similar services for a fee.

Each Investment Security or the provider of such Investment Security (other than those described in clauses (a), (c), and (e) of this definition) is required to have the following Moody’s long term and or short term ratings corresponding to the duration of such investment:

Maximum Maturity

Minimum Ratings

One Month

“A2” or “Prime-1”

Three Months

“A1” and “Prime-1”

Six Months

“Aa3” and “Prime-1”

Greater than Six Months

“Aaa” and “Prime-1”

“*Issue Date*” means the date a Series is delivered to the initial purchasers in exchange for the purchase price of the Series.

“*Issuer*” means the Office of Higher Education, a/k/a the Minnesota Office of Higher Education, or any body, agency or instrumentality which succeeds to the powers, duties and functions thereof.

“*Issuer Certificate*” means a Certificate executed and delivered by the Issuer.

“*Issuer Order*” means a written instrument of the Issuer executed by an Authorized Representative, (a) directing an action on the part of any Indenture Agent, and certifying such action is in accordance with the Indenture or (b) designating a Person to direct, on the Issuer’s behalf, an action on the part of any Indenture Agent, and certifying such action is in accordance with the Indenture. Any Issuer Order may be based solely on an Opinion of Counsel or Opinion of Bond Counsel.

“*Loan Capital Fund*” means the Loan Capital Fund of the Issuer established in accordance with Minnesota Statutes, Section 136A.1785.

“*Loan Origination Period*” means, with respect to the Series 2018 Bonds, the period beginning on November 27, 2018 and ending on February 29, 2020 and, with respect to the Series 2020 Bonds, the period beginning on the Issue Date and ending on June 30, 2021; provided that such deadlines may be extended if the Issuer has satisfied the requirements of an Event Notification as to such extension.

“*Majority Owners*” means the Owners of at least 51% in aggregate principal amount of the Bonds affected and Outstanding at the time of measurement.

“*Mandatory Redemption*” means specified dates when the Issuer is required to redeem all or a portion of an Outstanding Series prior to its maturity. The Issuer may be required to redeem all or a portion of a Series according to the call or prepayment provisions of a Supplemental Indenture. See the caption “*SERIES 2020 BONDS—Redemption Provisions*” in the body of this Official Statement.

“*Maturity*” when used with respect to any Bond or Series, means the date on which the principal thereof becomes due and payable as provided in the General Indenture or in a Supplemental Indenture provided, whether at its Stated Maturity, maturity by earlier redemption or by declaration of acceleration.

“*Minimum Class I Bonds Parity Ratio*” means the ratio or percentage specified as such in a Supplemental Indenture. The initial Minimum Class I Bonds Parity Ratio is 132%, or such lesser percentage as to which the Issuer has satisfied the requirements of an Event Notification as to such lesser percentage.

“*Minimum Value*” means (a) the Outstanding principal amount of the Bonds and accrued interest thereon plus (b) \$15,000,000 plus (c) all accrued but unpaid Program Expenses, together with any required late fees or interest thereon.

“*Minority Owners*” means the Owners of an aggregate of at least 25% of Bonds Outstanding at the time of measurement.

“*Monthly Deposit Date*” means the 15th day of each calendar month, or, if such day is not a Business Day, the next succeeding Business Day.

“*Monthly Period*” means, with respect to a Monthly Deposit Date, the period commencing on such Monthly Deposit Date and ending on the last day preceding the next succeeding Monthly Deposit Date.

“*Moody’s*” means Moody’s Investors Service, its successors and assigns, and, if Moody’s is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” is deemed to refer to any other nationally recognized securities rating agency designated by an Issuer Order delivered to the Trustee.

“*Nelnet Servicing*” means Nelnet Servicing, LLC, the initial Servicer.

“*Nelnet Servicing Agreement*” means the Servicing Agreement between the Issuer and Nelnet Servicing. See the caption “LOAN SERVICING AND COLLECTIONS—Nelnet Servicing Agreement” in the body of this Official Statement.

“*Non-four-year School*” means any school that is not a four-year college or a graduate school.

“*Nonpurpose Investments*” has the meaning stated in § 1.148-1(b) of the Treasury Regulations and includes any Investment that is not a Student Loan.

“*Note*” means the evidence of the indebtedness of a Borrower on their Student Loan.

“*Notice Parties*” means the Issuer, each Rating Agency and the Trustee.

“*Opinion of Bond Counsel*” means the written opinion of Bond Counsel.

“*Opinion of Counsel*” means a written opinion of an attorney at law or firm of attorneys selected by the Person obliged to deliver an opinion on the subject in question, admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia and reasonably acceptable to the Person who is to receive the same.

“*Original Principal Balance(s)*” means, when used with respect to a Student Loan(s), the aggregate principal balance of a Student Loan when pledged to the Trust Estate.

“*Originate*,” “*Originated*,” “*Originating*” or “*Origination*” means, the disbursement of the proceeds of a Student Loan to or on behalf of a Borrower by the Issuer or on behalf of the Issuer by its authorized agents to finance or refinance post-high school education indebtedness of Borrowers. If a Student Loan is to be made in two or more disbursements, each such disbursement constitutes an Origination.

“*Outstanding*” when used with reference to Bonds or a Series, or “*Outstanding Bonds*” means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture except: (a) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date; (b) any Bond in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the General Indenture; and (c) any Bond paid or deemed to have been paid as provided under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defeasance*” in this Appendix B.

“*Owner*” or “*owner*” or words of similar import, when used with reference to a Bond, means the Person in whose name such Bond is registered as shown on the Bond Register.

“*Participant*” means a broker-dealer, bank or other financial institution from time to time for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

“Paying Agent” means the Trustee or any other commercial bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the General Indenture.

“Permitted Spread” means the difference between the Yield on the Bonds of a Series and the Student Loans financed with proceeds of the Series as may be required or permitted under the Code.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization or government or any agency, instrumentality or political subdivision thereof.

“Potential Special Optional Excess Revenues Redemption Date” means each Interest Payment Date (a) which occurs during a Recycling Period, or (b) on which the Class I Bonds Parity Ratio exceeds the Minimum Class I Bonds Parity Ratio, and (ii) the Value of (A) all Student Loans and (B) all cash and Investment Securities in the Funds and Accounts (excluding the Rebate Fund, the Excess Interest Fund, and amounts irrevocably set aside to pay particular Bonds as provided under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defeasance*” in this Appendix B) exceeds the Minimum Value.

“Pre-funded Loans” means Student Loans, the original disbursement of which was made after September 30, 2019 and Financed on or after the Issue Date from amounts deposited in the Series 2020 Account of the Acquisition Fund.

“Principal Installment(s)” individually means, as of any date of calculation, (a) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would have been retired by such future date by reason of the payment when due and application in accordance with the Indenture of Sinking Fund Payments payable before such certain future date, plus (b) any Sinking Fund Payments due on such certain future date, plus (c) the principal component of the Redemption Price of the Bonds then having been called for redemption on such certain future date, and collectively means all of them.

“Principal Office” means the office of the party indicated, as set forth in the General Indenture or a Supplemental Indenture.

“Principal Payment Date” means, with reference to any Bonds of a Series, the date upon which a Principal Installment or Sinking Fund Payment on such Bonds becomes payable.

“Program Expenses” means (a) the fees and expenses of each Indenture Agent under the General Indenture and any Supplemental Indenture, including any required late fees or interest thereon; (b) the fees of the Servicer under the Servicing Agreement, including any required late fees or interest thereon; (c) the fees and expenses of the Issuer incurred in connection with the preparation of any Opinion of Counsel and Opinion of Bond Counsel and other authorized reports or statements attributable to the Bonds of any Series or Class and the Student Loans; (d) Rebate Analyst Fees, and (e) all other fees and expenses incurred by the Issuer in connection with the maintenance and operation of its Student Loan Program as a direct consequence of the Indenture, the Bonds of any Series or Class or the Student Loans, including the reasonable fees and expenses of attorneys, agents, financial advisors, municipal advisors, consultants, accountants and other professionals, attributable to such maintenance and operation. Program Expenses do not include Costs of Issuance, except as provided in this definition.

“Proprietary School” means a for-profit institution predominantly offering education and training programs of less than two years.

“*Rating Agency*” means one or more of Moody’s, Fitch, S&P and any other nationally recognized securities rating agency to the extent Moody’s, Fitch, S&P or any such other agency has issued and continues to maintain a rating on the Bonds at the time in question, at the request of the Issuer. All Bonds, all Classes, all Series, or all Bonds within a given Class or Series, need not be rated by the same rating agency or agencies.

“*Reasonably Required Reserve or Replacement Fund*” means a fund securing the Series 2020 Bonds, the deposits in which do not exceed, as of the date of calculation, the lesser of: (a) 10% of the proceeds of the Series 2020 Bonds; (b) 125% of the average annual amount of principal and interest due on the Series 2020 Bonds; or (c) the maximum amount of principal and interest due on the Series 2020 Bonds in any Bond Year, assuming that each Series 2020 Bond is paid at its Stated Maturity and term bonds are paid on the scheduled Sinking Fund Payment Dates.

“*Rebate Amount*” means as of any Computation Date, the “rebate amount” with respect to a Series of Tax-exempt Bonds, determined in accordance with § 1.148-3 of the Treasury Regulations.

“*Rebate Analyst*” means a certified public accountant, financial analyst or attorney, or any firm of the foregoing, or a financial institution experienced in making the Excess Interest, arbitrage and rebate calculations required under Section 148 of the Code, independent of the Issuer, and retained by the Issuer to make the computations and give the directions required by the Tax Certificate and the Indenture.

“*Rebate Analyst Fee*” means a fee paid or payable to the Rebate Analyst for calculation of Excess Interest or the Rebate Amount.

“*Rebate Fund*” means the Fund, if any, with that name created in accordance with the General Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts—Rebate Fund*” in this Appendix B.

“*Record Date*” except as otherwise provided in a Supplemental Indenture, means the 15th day immediately preceding each Interest Payment Date or, if such date is not a Business Day, the next preceding Business Day.

“*Records*” means the Issuer’s records relating to the Student Loans, the related Revenues and the Funds and Accounts.

“*Recycling Period*” means the latest period of time specified in a Supplemental Indenture authorizing issuance of Bonds during which moneys in the Surplus Fund may be used to Finance Student Loans and, pursuant to the Second Supplement, means any period established by the Issuer during which the Issuer may Originate Student Loans with amounts credited to the Series 2020 Account of the Surplus Fund upon satisfaction of the requirements of an Event Notification; provided that any such period may be extended if the Issuer has satisfied the requirements of an Event Notification as to such extension.

“*Redemption Date(s)*” means the date or dates upon which Bonds are to be called for redemption under any Supplemental Indenture.

“*Redemption Fund*” means the Fund with that name created under the General Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts—Redemption Fund*” in this Appendix B.

“*Redemption Price*” means, with respect to any Series 2020 Bond, the principal amount thereof being redeemed plus accrued interest, plus, in the case of the redemption of Series 2020 Premium Bonds,

the Unamortized Premium with respect to such Series 2020 Premium Bonds as set forth under “THE SERIES 2020 BONDS—Redemption Provisions—*Mandatory Redemption Resulting From Non-Origination*” in the body of this Official Statement, as applicable.

“*Refunded Bonds*” means \$60,000,000 of the Issuer’s Adjustable Rate Supplemental Student Loan Program Revenue Bonds, 2012 Series B-2 (AMT) issued pursuant to the 2012 Indenture.

“*Registrar*” means the Trustee, the Authenticating Agent or any other agent of the Issuer at the office of which Bonds may be presented for registration, transfer, or exchange as provided in the General Indenture.

“*Responsible Officer*” means the Trustee’s president, or any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or any other officer or employee of the Trustee authorized to perform functions similar to those performed by any of the above designated officers and having responsibility for the administration of the Indenture and also means, with respect to a particular corporate trust matter arising under the Indenture, any other officer to whom such matter is referred because of their knowledge of and familiarity with the particular subject.

“*Revenue Fund*” means the Fund with that name created under the General Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts—Revenue Fund*” in this Appendix B.

“*Revenues*” means all payments, proceeds, charges and other income received by or on behalf of the Issuer from or on account of any Student Loan including (a) scheduled, delinquent and advance payments, any insurance proceeds and guaranty payments, and interest and principal payments; (b) any tuition refunds; (c) funds transferred to the Trustee from the Servicer’s or Servicers’ separate bank accounts maintained under a Servicing Agreement; (d) any State Shortfall Payments; (e) proceeds from the sale of Student Loans; and (f) all interest earned or gain realized from the investment of amounts in the Revenue Fund, the Debt Service Reserve Fund and the Surplus Fund.

“*S&P*” means S&P Global Ratings, its successors and assigns, and, if S&P is dissolved or liquidated or no longer performs the functions of a securities rating agency, “*S&P*” is deemed to refer to any other nationally recognized securities rating agency designated in an Issuer Order delivered to the Trustee.

“*Second Supplement*” means the Second Supplemental Indenture, dated as of March 1, 2020, between the Issuer and the Trustee, as amended and supplemented from time to time.

“*Securities Depository*” means The Depository Trust Company, New York, New York, and its successors and assigns, or any additional or other securities depository designated in a Supplemental Indenture, or (a) if the then Securities Depository resigns from its functions as depository of the Bonds; or (b) if the Issuer discontinues use of the Securities Depository, then any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Issuer with the consent of the Trustee; provided that any Securities Depository is required to be registered or qualified as a “clearing agency” within the meaning of Section 17A of the Securities and Exchange Act of 1934, as amended. The Securities Depository for the Series 2020 Bonds is The Depository Trust Company, New York, New York, and its successors and assigns, or any additional or other Security Depository designated in accordance with the provisions of the General Indenture.

“*SELF V*” means phase five of the SELF Program operated by the Issuer.

“SELF V Borrower” means the maker of a SELF V Note.

“SELF Loans” means loans Originated under the SELF Program.

“SELF Program” means the Issuer’s Student Educational Loan Fund Program under which SELF Loans are Originated, excluding SELF Refi Loans.

“SELF Refi Loans” means loans Originated under the SELF Refi Loan Program.

“SELF Refi Loan Program” means the program of the Issuer to refinance post-high school education indebtedness of borrowers and excludes SELF Loans.

“Serial Bonds” means the Series 2020 Bonds maturing on the Serial Stated Maturities.

“Serial Payments” means the payments to be made in payment of the principal of the Serial Bonds on the Serial Stated Maturities.

“Serial Stated Maturities” means, with respect to the Series 2020 Bonds, November 1 in the years 2023 through 2027.

“Series” means all of the Bonds authenticated and delivered upon original issuance in a simultaneous transaction, under the same Supplemental Indenture and designated as a Series in such Supplemental Indenture regardless of variations in maturity, interest rate, Class, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as provided in the General Indenture and the related Supplemental Indenture.

“Series 2018 Bonds” means the \$54,535,000 aggregate principal amount of the Issuer’s Supplemental Student Loan Program Revenue Bonds, 2018 Senior Series issued pursuant to the First Supplement.

“Series 2020 Bonds” means the \$57,690,000 aggregate principal amount of the Issuer’s Supplemental Student Loan Program Revenue Bonds, 2020 Senior Series issued pursuant to the Second Supplement.

“Series 2020 Financed Student Loan(s)” means Student Loan(s) Originated with moneys from the Series 2020 Account of the Acquisition Fund or the Surplus Fund.

“Series 2020 Premium Bonds” means the Series 2020 Bonds sold with original issue premium on the Issue Date. See the caption “TAX MATTERS—Original Issue Premium” in the body of this Official Statement.

“Servicer” means Nelnet Servicing, LLC, and its successors and assigns, and any successor or additional Servicer appointed by the Issuer as to which the Issuer has satisfied the requirements of an Event Notification as to such successor or additional Servicer.

“Servicing Agreement” means, as of the date hereof, the Professional and Technical Services Contract, dated as of August 11, 2017, with an effective date of May 1, 2018, between the Issuer and Great Lakes Educational Loan Services, Inc. (“Great Lakes”), assigned by Great Lakes to Nelnet Servicing, LLC as of June 22, 2018, and amended as of April 26, 2018, June 27, 2018 and December 20,

2019, and each other Servicing Agreement as amended from time to time, between the Issuer and the Servicer under which such Servicer has agreed to service Student Loans.

“Short-term Program” means an educational program which is less than one Academic Year in length.

“Sinking Fund Payment(s)” means, as of the date of calculation, the amount required to be paid by the Issuer on a certain future date for the retirement of Outstanding Bonds which mature after said future date, including principal and interest, but does not include any amount payable by the Issuer by reason of the Stated Maturity of a Bond or call for redemption of any Bonds at the election of the Issuer.

“Sinking Fund Payment Date” means, with reference to a Sinking Fund Payment, the date on which such Sinking Fund Payment is payable.

“Special Record Date” a date established by the Trustee for the payment of Defaulted Interest.

“State” means the State of Minnesota.

“State Debt Service Reserve Fund Payment” means a payment received by or on behalf of the Issuer from the State to replenish the Debt Service Reserve Fund under the operation of the provisions of Section 136A.1787 of the Act.

“State Shortfall Payment” means a payment received by or on behalf of the Issuer from the State in the event of an expected shortfall in the moneys available to pay principal and interest on the Bonds when due and payable under the operation of the provisions of Section 136A.1787 of the Act.

“Stated Maturity,” when used with respect to any Bond or any installment of interest thereon, means the date specified in such Bond as the fixed date on which principal of such Bond or such installment of interest is due and payable and includes a Serial Stated Maturity or a Term Stated Maturity, as applicable.

“Student Loan(s)” or *“Loan(s)”* (a) individually means any loan made by the Issuer to a Borrower under its Student Loan Program that is: (i) Financed with moneys in the Acquisition Fund or the Surplus Fund and credited to the Student Loan Fund, (ii) received in exchange for other Student Loans upon the sale thereof or substitution therefor as provided under the caption *“SUMMARIES OF DOCUMENTS—The General Indenture—Particular Covenants—Disposal and Consolidation of Student Loans”* in this Appendix B or provisions of a Supplemental Indenture and credited to the Student Loan Fund, or (iii) otherwise credited to the Student Loan Fund as part of the Trust Estate; but (b) excludes Student Loans released from the lien of the General Indenture as permitted by the Indenture; and (c) collectively, means all such Student Loans.

“Student Loan Fund” means the Fund with that name created under the General Indenture. See the caption *“SUMMARIES OF DOCUMENTS—The General Indenture—Pledge of Indenture, Establishment of Funds and Accounts—Student Loan Fund”* in this Appendix B.

“Student Loan Program” means the program for making Student Loans under the Act and policies of the Issuer which includes, but is not limited to, the SELF Program and the SELF Refi Loan Program, together with any other student loan program or student loan programs established by the Issuer under the Act and providing for the issuance of a Series as part of the Student Loan Program.

“*Subservicer*” means a Person designated in a Supplemental Indenture with which the Servicer has an arrangement to service Student Loans as described under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Particular Covenants—Servicing Student Loans*” in this Appendix B.

“*Supplemental Indenture*” means any indenture supplemental to or amendatory of the General Indenture or a Supplemental Indenture, executed by the Issuer and the Trustee and effective in accordance with the General Indenture. See the captions “SUMMARIES OF DOCUMENTS—The General Indenture—*Supplemental Indentures Not Requiring Consent of Owners*” and “—*Supplemental Indentures Requiring Consent of Owners*” in this Appendix B.

“*Surplus Fund*” means the Fund with that name created under the General Indenture. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Pledge of Indenture, Establishment of Funds and Accounts—Surplus Fund*” in this Appendix B.

“*Tangible Net Worth*” means, as of any date of determination, the aggregate net worth of the Issuer’s Loan Capital Fund determined in accordance with GAAP, less the book value of all assets of the Loan Capital Fund that are treated as intangibles under GAAP.

“*Tax Certificate*” means, with respect to each Series of Tax-exempt Bonds, a Certificate of the Issuer relating to arbitrage and other tax matters delivered in connection with the issuance of such Series, as the same may be amended or supplemented in accordance with its terms.

“*Tax-exempt Bonds*” means each Series that is issued with the intent that interest thereon is excludable from gross income for purposes of federal income taxation, as evidenced by an Opinion of Bond Counsel to that effect delivered upon issuance of such Series.

“*Temporary Period(s)*” means the time periods during which the proceeds of the Series 2020 Bonds may be invested at yields higher than the Yield without jeopardizing the status of the Series 2020 Bonds as Tax-exempt Bonds.

“*Term Bonds*” means Bonds which are subject to Sinking Fund Payments prior to the Stated Maturity of such Bonds, and, in the case of the Series 2020 Bonds, means the Series 2020 Bonds maturing on the Term Stated Maturity.

“*Term Stated Maturity*” means, with respect to the Series 2020 Bonds, November 1, 2038, as set forth in the Second Supplement.

“*Trust Estate*” means the following: (i) all Student Loans and all documentation thereof, whether in tangible or intangible form, including all agreements, notes (whether manually or electronically signed) and all other documents or electronic records evidencing such Student Loans or extensions and renewals thereof; (ii) all general intangibles, payment intangibles, or electronic chattel paper related to the Student Loans; (iii) all proceeds of the Bonds, Revenues and any other amounts at any time contained in the Funds and Accounts, excluding the Rebate Fund and the Excess Interest Fund, until their use or release from the Funds and Accounts, which Bond proceeds, Revenues and other amounts may take the form of moneys, securities, accounts, chattel paper, instruments, and general intangibles; (iv) all State Debt Service Reserve Fund Payments and State Shortfall Payments; (v) the rights of the Issuer in and to each Servicing Agreement solely as it relates to Student Loans; (vi) any and all other real or personal property of every name and nature, hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred by the Issuer or by anyone on its behalf or with its prior written consent, to the

Trustee as and for additional security under the General Indenture; and (vii) all proceeds of the foregoing. See the caption “SUMMARIES OF DOCUMENTS—The General Indenture” in this Appendix B.

“*Trustee*” means U.S. Bank National Association and its successor or successors and any other Person at any time substituted in its place as permitted by the General Indenture.

“*Two-year Schools*” means public, private nonprofit and for-profit institutions predominantly offering two-year degrees.

“*UCC*” means the Uniform Commercial Code as in effect in the State from time to time.

“*Unamortized Premium*” means the unamortized portion of the amount by which the offering price of a Series 2020 Premium Bond (as set forth on the inside cover page of this Official Statement) exceeded 100%. The Issuer is required to see to the calculation of the amount of such Unamortized Premium. The methodology applied to calculate the unamortized portion of such amount for a given Series 2020 Premium Bond will use the yield of such Series 2020 Premium Bond as set forth on the inside cover page of this Official Statement to calculate a price based on the Redemption Date, semiannual compounding and a 360-day year consisting of twelve 30-day months. The excess of the calculated price over 100% will be the unamortized portion.

“*Underwriter(s)*” with respect to the Series 2020 Bonds, means BofA Securities, Inc. and U.S. Bancorp Investments, Inc.

“*Value*” means on any date when required under the Indenture, the value of the specified asset calculated by the Issuer, in accordance with the following:

- (a) any Student Loan, other than a Defaulted Student Loan, is valued at the principal balance thereof, plus any accrued interest thereon;
- (b) Defaulted Student Loans have an assumed value of \$0;
- (c) Investment Securities are valued as specified in the definition of “Investment Securities”;
- (d) cash is valued at face value.

“*Yield*” of (a) any Investment or Student Loan to any date means the actuarial “yield” of such Investment beginning the date such Investment is allocable to Gross Proceeds, as “yield” is defined in § 1.148-5 of the Treasury Regulations; and (b) the Bonds of a Series means the actuarial “yield” of the Bonds of such Series, as defined in § 1.148-4 of the Treasury Regulations.

“*Yield Reduction Payment*” means the minimum amounts payable to the United States Treasury described in § 1.148-5(c) of the Treasury Regulations.

“*2012 Indenture*” means the General Indenture, dated as of September 1, 2012, between the Issuer and Wells Fargo Bank, National Association, as trustee, and any amendments and supplements thereto made in accordance with its terms.

SUMMARIES OF DOCUMENTS

The General Indenture

In order to secure, (i) the payment of Debt Service or Redemption Price of the Bonds at any time issued and Outstanding according to their tenor and effect, and (ii) the performance and observance of all of the covenants and conditions contained in said Bonds and in the Indenture, the Issuer has executed and delivered the General Indenture and bargains, assigns, pledges and grants a security interest, subject to the use and application in accordance with the provisions of the General Indenture, in the Trust Estate.

Terms of Bonds.

Limited Obligations of the Issuer. The Bonds are special limited, not general, obligations of the Issuer payable solely from the Trust Estate, subject to the application thereof to the purposes and on the conditions specified in the Indenture. The Bonds and the interest thereon do not represent or constitute a debt or pledge of the faith and credit of the State or any agency or political subdivision thereof (except the Issuer, to the extent provided in the Indenture), or grant to the Owners any right to have the State levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon. The Bonds are payable solely from the rentals, revenues, and other income, charges, and moneys as are pledged for their payment in accordance with the Indenture.

Authorization of Bonds. In order to (i) obtain funds to Finance Student Loans; (ii) refund obligations of the Issuer; (iii) in connection with the foregoing, set aside the Debt Service Reserve Requirement; (iv) fund the Capitalized Interest Fund; and (v) pay Costs of Issuance and Program Expenses, obligations of the Issuer in the form of Bonds are authorized to be issued from time to time in one or more Series or one or more Classes without limitation as to amount except as may be provided by law. Bonds may be issued as Tax-exempt Bonds or Federally Taxable Bonds as provided in the Supplemental Indenture authorizing such Bonds. No Bonds will be secured by the General Indenture unless they are part of an issue described in a Supplemental Indenture and until the conditions contained in the General Indenture are satisfied.

Conditions Precedent to Delivery of Bonds. The Bonds of each Series are authenticated and delivered upon Issuer Order, but only upon the receipt by the Trustee of:

(a) a copy of the Supplemental Indenture authorizing such Series and designating the Class of Bonds to be issued, executed by the Issuer and the Trustee, which is required to specify the terms of such Series;

(b) an Opinion or Opinions of Bond Counsel to the effect that (i) the General Indenture and such Supplemental Indenture have been authorized, executed and delivered by the Issuer and, assuming proper authorization, execution and delivery by the other parties thereto, are valid and binding upon the Issuer (subject to the operation of bankruptcy, insolvency, preferential transfer, fraudulent transfer, fraudulent conveyance or other laws relating to or affecting creditors rights generally, now existing or hereafter enacted, and by the application of general principles of equity including those relating to equitable subordination and judicial discretion); (ii) such Bonds are valid and binding obligations of the Issuer; (iii) in the General Indenture the Issuer has assigned and granted a security interest in, and all necessary action on the part of the Issuer has been taken as required to assign and grant a security interest in, all of the Trust Estate to the Trustee, subject to customary exceptions acceptable to the initial purchasers of the Bonds; (iv) the security interest granted to the Trustee in the Trust Estate has been perfected and is subject to no prior interests or liens, subject to customary exceptions acceptable to the initial purchasers of the

Bonds; (v) interest on Tax-exempt Bonds is excludable from gross income for federal income tax purposes; and (vi) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State and with the General Indenture;

(c) an Issuer Order as to the authentication and delivery of such Bonds;

(d) in the event that there are then other Bonds Outstanding on the Issue Date of any Bonds (other than the initial Bonds issued under the Indenture), a certification of an Authorized Representative to the effect that the Issuer is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture, unless the issuance of such additional Bonds and the application of the proceeds thereof is intended to, and will, cure such default upon the issuance of such additional Bonds;

(e) in the event that there are then Bonds Outstanding, evidence that the Issuer has satisfied the requirements of an Event Notification as to the issuance of such Bonds; and

(f) such further documents, certificates, instruments and moneys as are required by any Supplemental Indenture entered into under the authority of the General Indenture. See the captions "SUMMARIES OF DOCUMENTS—The General Indenture—*Supplemental Indentures Not Requiring Consent of Owners*" and "*—Supplemental Indentures Requiring Consent of Owners*" in this Appendix B.

Class II Bonds Subordinate; Limitation on Classes of Bonds. The Issuer may, upon complying with the provisions of the General Indenture, issue, cause the authentication of, and deliver from time to time Bonds secured by the Trust Estate on a parity with the Class I Bonds or Class II Bonds, if any, secured under the General Indenture as determined by the Issuer in a Supplemental Indenture. Class II Bonds are subordinate in all respects to the Class I Bonds and the Accounts established for Class II Bonds in the Funds will at all times be available to meet the payment requirements of Class I Bonds. Notwithstanding any provision of a Supplemental Indenture to the contrary, not more than two Classes of Bonds may be issued under the authority of the General Indenture.

Pledge of Indenture; Establishment of Funds and Accounts.

Pledge Effected by Indenture; Priority. The Trust Estate is pledged under the Indenture. To the fullest extent provided by applicable law, the money and property pledged in the General Indenture is immediately subject to the lien of such pledge and such lien is valid and binding against all parties having claims in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice of the pledge.

Creation of Funds. The following Funds are created and established in the General Indenture, to be held by the Paying Agent on behalf of the Trustee and maintained in accordance with the provisions of the Indenture: (a) Student Loan Fund; (b) Revenue Fund; (c) Redemption Fund; (d) Surplus Fund; (e) Debt Service Reserve Fund; (f) Acquisition Fund; and (g) Capitalized Interest Fund. As provided in a Supplemental Indenture or upon Issuer Order, as applicable, the Paying Agent on behalf of the Trustee is required to create and establish a Rebate Fund and Excess Interest Fund, both of which are held by the Trustee but are outside of the Trust Estate, and the Owners have no right, title, or interest therein or thereto. The Trustee is authorized by the Indenture for the purpose of facilitating administration of the Trust Estate to create Accounts in any of the various Funds established under the Indenture upon receipt of an Issuer Order or as may be provided in a Supplemental Indenture.

Creation of Accounts. The Issuer may elect to create two or more Accounts attributable to a Series in any Fund. The Trustee, or the Paying Agent on behalf of the Trustee, is authorized to create such Accounts. The creation of Accounts is for administrative purposes only and all Bonds of the same Class are paid on a parity basis. The authority to create Accounts is subject to applicable provisions of a Supplemental Indenture.

(a) If Accounts are created in the Student Loan Fund to separate Student Loans Financed with Gross Proceeds derived from one or more Series, the Issuer, by Issuer Order delivered to the Trustee, will allocate the Student Loans to be credited to each Account.

(b) If Accounts are created in the Revenue Fund to separate Revenues derived from Student Loans pledged to one or more Series, the Issuer, by Issuer Order delivered to the Trustee, will allocate the Revenues to be credited to each Account. If the Issuer makes such election, the Trustee is required to pay Debt Service on the Bonds of that Series or portion thereof from that Series' Account and, to the extent possible, is required to pay Program Expenses attributable to that Series from that Series' Account.

(c) If Accounts are created in the Surplus Fund, the Trustee is required to pay Debt Service on the Bonds of the related Series or portion thereof from that Series' Account and, to the extent possible, is required to pay Program Expenses attributable to that Series from that Series' Account in accordance with the priorities established under the General Indenture and described under the caption "*Revenue Fund*" below.

Student Loan Fund. The Trustee is required to credit all Student Loans transferred to the Trustee by the Issuer and all Student Loans made by the Issuer with amounts provided under the Indenture to the Student Loan Fund and the Accounts therein, in each case, as specified by Issuer Order. The Student Loan Fund only holds Student Loans and no other assets of any kind whatsoever.

Revenue Fund. Money in the Revenue Fund is required to be kept separate and apart from all other Funds and Accounts. As provided in a Supplemental Indenture or upon receipt of an Issuer Order, as applicable, the Trustee is required to deposit in the Revenue Fund: (a) the Revenues, (b) the amounts described in any Supplemental Indenture, (c) any amounts specified in the General Indenture or in a Supplemental Indenture to be transferred thereto from another Fund, and (d) any other amounts required to be deposited therein in the Issuer Order.

On each Monthly Deposit Date (or on such other date as is specified in a particular clause below), money in the Revenue Fund is required to be applied by the Trustee in the following order of priority:

(a) to the Rebate Fund and the Excess Interest Fund, as appropriate, amounts specified in an Issuer Order as sufficient, when added to the amounts already in the Rebate Fund and the Excess Interest Fund, to equal the Rebate Amount or the Excess Interest, respectively, as of the most recent date of calculation;

(b) subject to the succeeding paragraph and the limitations, if any, contained in a Supplemental Indenture, to payment of Program Expenses then due and payable to the Servicer and each Indenture Agent, as applicable; and if funds are not sufficient, pro rata on the basis of Program Expenses then owed, unless the Issuer has notified the Trustee that it has paid Program Expenses from a source of funds outside the Trust Estate as provided in the General Indenture;

(c) subject to the limitations contained in a Supplemental Indenture, to the credit of the Accounts established in the Revenue Fund for payment of principal of and interest on each

Outstanding Series, the following amounts with respect to each such Series solely for payment of principal of and interest on each such Series, in the following order of priority:

(i) (A) to payment of interest due on each Series of Class I Bonds during the related Monthly Period and; and (B) thereafter, to the extent provided for in clause (b) under the caption “Payment of Interest” below, to increase the balance in the Accounts in the Revenue Fund in respect of interest due and payable on each Series of Class I Bonds on the next applicable Interest Payment Date;

(ii) (A) to payment of principal due at Stated Maturity or on a Sinking Fund Payment Date (other than a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds which are Class I Bonds) on each Series of Class I Bonds during the related Monthly Period and (B) thereafter, to the extent provided for in clause (b) under the caption “Payment of Principal” below, to increase the balance in the Accounts in the Revenue Fund in respect of principal due and payable on each Series of Class I Bonds at Stated Maturity or on a Sinking Fund Payment Date (other than a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds which are Class I Bonds) on the next applicable Principal Payment Date;

(iii) (A) to payment of interest due on each Series of Class II Bonds during the related Monthly Period and, if the amount available is not sufficient to pay in full the interest then due, then to the payment thereof ratably, according to the aggregate amount of interest due on such date, and (B) thereafter, to the extent provided for in clause (b) under the caption “Payment of Interest” below, to increase the balance in the Accounts in the Revenue Fund in respect of interest due and payable on each Series of Class II Bonds on the next applicable Interest Payment Date; and

(iv) (A) to payment of principal due at Stated Maturity or on a Sinking Fund Payment Date (other than a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds which are Class II Bonds) on each Series of Class II Bonds during the related Monthly Period and, if the amount available is not sufficient to pay in full the principal then due, then to the payment thereof ratably, according to the aggregate amount of principal due on such date, and (B) thereafter, to the extent provided for in clause (b) under the caption “Payment of Principal” below, to increase the balance in the Accounts in the Revenue Fund in respect of principal due and payable on each Series of Class II Bonds at Stated Maturity or on a Sinking Fund Payment Date (other than a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds which are Class II Bonds) on the next applicable Principal Payment Date;

(d) to the Debt Service Reserve Fund to the extent necessary to increase the balance therein to the Debt Service Reserve Requirement, to the extent such amount has not been paid from available funds of the Issuer not held under the Indenture;

(e) other than with respect to the initial Series issued under the Indenture, and as specified in a Supplemental Indenture, (i) to payment of all other principal payable during the related Monthly Period on Outstanding Bonds (other than Cumulative Sinking Fund Term Bonds), such payments to be applied By Class in Descending Priority, and (ii) at the option of the Issuer, to payment of Sinking Fund Payments payable on Cumulative Sinking Fund Term Bonds, as described under this caption and clause (b) under the caption “Payment of Principal” below, each to increase the balance in the Revenue Fund in respect of all other principal due and payable

on Outstanding Bonds By Class in Descending Priority on the next applicable Principal Payment Date; and

(f) provided the full amount of any principal payments due on each Series of Outstanding Bonds on the next succeeding Principal Payment Date for each such Series are on deposit in the applicable Accounts in the Revenue Fund, the remainder to the credit of the Surplus Fund.

In the event amounts are payable to more than one Person under any one of the preceding clauses, and the money available is insufficient to pay all amounts payable, the available money is required to be applied pro rata to the payment to each Person based upon the amount payable thereto, except that any amounts due and payable to the Trustee in accordance with clause (b) above is required to be paid prior to payment to any other Person and prior to any proration of payments under such clause.

The Issuer is required to provide the Trustee with a Certificate on or before the tenth day of each calendar month setting forth (a) the amounts due and owing as Program Expenses as of the end of the preceding calendar month, and (b) such portions of each such amount as have been previously paid by the Issuer from funds not held under the Indenture. The Trustee will be entitled to conclusively rely on such Certificate in determining whether moneys in the Revenue Fund will be applied to the payment of such amounts in accordance with the foregoing provisions.

In the event there are insufficient funds in an Account for a particular Series in the Revenue Fund and the Surplus Fund to pay any amount then due (other than amounts allocable to Financing Student Loans and Sinking Fund Payments on Cumulative Sinking Fund Term Bonds) and the Issuer has not paid the deficiency from funds not held under the Indenture, the Trustee is required to make such payment from Accounts in the Revenue Fund or Surplus Fund for another Series, to the extent there are sufficient moneys to do so after satisfying all amounts required to be paid (without regard to Accounts) prior to the amount due, in the order established in the General Indenture.

Payment of Interest. For purposes of clause (c) above, interest on Bonds is accounted for as follows:

(a) to the extent an Interest Payment Date occurs during the related Monthly Period, an amount equal to the interest due on such Interest Payment Date will be applied to the payment of such interest when due By Class in Descending Priority; provided that, to the extent provided in the applicable Supplemental Indenture, amounts may be drawn from an Account established for a Class of Bonds in the Capitalized Interest Fund and applied to the payment of such interest on such Class when due; and

(b) to the extent interest will accrue but not be payable during the related Monthly Period, an amount equal to all accrued interest, By Class in Descending Priority, through the end of such Monthly Period will be retained in the Revenue Fund; provided that, to the extent provided in the applicable Supplemental Indenture, amounts may be drawn from an Account established for a Class of Bonds in the Capitalized Interest Fund and applied to the payment of such interest on such Class when due; and

(c) cash and Investment Securities on deposit in Accounts established for Class II Bonds are available to pay the interest requirements of Class I Bonds.

Payment of Principal. For purposes of clauses (c) and (e) above, the principal amount of Bonds due at the Stated Maturity thereof or on a Sinking Fund Payment Date therefor will be accounted for as follows:

(a) to the extent a Principal Payment Date occurs during the related Monthly Period, an amount equal to the principal due on such Principal Payment Date will be applied to the payment of such principal when due By Class in Descending Priority; and

(b) to the extent principal is not payable during the related Monthly Period, but will be payable on a Principal Payment Date occurring during a Monthly Period commencing within 12 months of the related Monthly Period, an amount will be retained in the Revenue Fund, By Class in Descending Priority, as of each Monthly Deposit Date:

(i) in the case of principal due at Stated Maturity or on a Sinking Fund Payment Date other than Sinking Fund Payment Dates of Cumulative Sinking Fund Term Bonds, equal to 1/12th of such principal for each of the 12 Monthly Deposit Dates occurring prior to the Principal Payment Date on which such principal is payable; and

(ii) in the case of principal due on a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds, equal to 1/11th of such principal for each of the 11 Monthly Deposit Dates occurring prior to the Monthly Deposit Date preceding the Payment Date; and

(iii) cash and Investment Securities on deposit in Accounts established for Class II Bonds are available to pay the principal requirements of Class I Bonds.

Redemption Fund. Subject to the provisions of the General Indenture, amounts on deposit in the Redemption Fund are required to be applied to the optional redemption or purchase of Outstanding Bonds By Class in Descending Priority as specified in an Issuer Order under the General Indenture and any applicable Supplemental Indenture. Deposits to the Redemption Fund are irrevocable as to Bonds for which notice of redemption or payment has been given.

Surplus Fund. The Surplus Fund is required to be used only for the purposes specified in the General Indenture, subject to applicable provisions in any Supplemental Indenture. Except as provided under the heading “*Order of Use of Amounts in Funds for Payment of Bonds*” below, the Trustee is required to use the moneys in the Surplus Fund for the following purposes By Class in Descending Priority, upon receipt of an Issuer Order to do so, in the following order:

(a) to make deposits to the Excess Interest Fund and the Rebate Fund to the extent required under the captions “*Excess Interest Fund*,” “*Rebate Fund*” and “*Extraordinary Transfers to Rebate Fund and Excess Interest Fund*” below;

(b) to the extent there is a required transfer from the Revenue Fund and the moneys therein are not sufficient, the moneys in the Surplus Fund will be utilized to satisfy such deficiency;

(c) to make deposits to the Redemption Fund as specified in an Issuer Order to meet the Mandatory Redemption requirements (other than (A) principal due at Stated Maturity or on a Sinking Fund Payment Date and (B) a Sinking Fund Payment Date with respect to Cumulative Sinking Fund Term Bonds);

(d) to the extent such moneys constitute Excess Coverage:

(i) to payment of amounts due to the Trustee (including any unpaid fees, expenses and indemnities) that are not Program Expenses, to the extent such amount has not been paid from available funds of the Issuer not held under the Indenture

(ii) to payment of any other unpaid Program Expenses; and if funds are not sufficient, pro rata on the basis of Program Expenses then owed, to the extent such amounts have not been paid from available funds of the Issuer not held under the Indenture;

(iii) to pay any amounts payable by the Issuer to the Underwriter pursuant to the indemnification provisions of the related Bond Purchase Agreement;

(e) to Finance Student Loans as permitted by a Supplemental Indenture;

(f) to make deposits to the Redemption Fund for the optional redemption of Bonds as specified in an Issuer Order or as required by and provided in any applicable Supplemental Indenture; and

(g) to transfer money to the Issuer if permitted under the caption "*Withdrawal of Excess Coverage*" below.

Debt Service Reserve Fund. As provided for in a Supplemental Indenture or upon receipt of an Issuer Order to do so, as applicable, the Trustee is required to deposit in the Debt Service Reserve Fund (a) the Debt Service Reserve Requirement specified in each Supplemental Indenture; (b) any transfers thereto from the Revenue Fund or Surplus Fund; and (c) all State Debt Service Reserve Fund Payments received by the Trustee. Amounts on deposit in a Series Account of the Debt Service Reserve Fund are required to be applied as provided in the General Indenture (first, with respect to payments in respect of that Series and thereafter, to the extent necessary, to payments in respect of other Series of the same Class) and, to the extent provided in the related Supplemental Indenture, in conjunction with the final payment of the principal of and interest on the last Outstanding Bonds of such Series. To the extent moneys on deposit in the Debt Service Reserve Fund exceed the Debt Service Reserve Requirement as a result of a State Debt Service Reserve Fund Payment, the Issuer may direct the Trustee to transfer an amount equal to such excess (excluding any portion of the State Debt Service Reserve Fund Payment) to the Revenue Fund in an Issuer Order.

Except as may be set forth in any Supplemental Indenture and in the General Indenture with respect to Classes of Bonds, the Trustee is required to apply the moneys in the Debt Service Reserve Fund to the extent of any deficiency in the Revenue Fund after applying the moneys in the Revenue Fund, the Surplus Fund, the Capitalized Interest Fund (to the extent provided in a Supplemental Indenture) and the Acquisition Fund, to the same uses as set forth in the following clauses under the caption "*Revenue Fund*" above: clauses (a), (b), (c)(i), (c)(ii), (c)(iii) and (c)(iv).

On or before the fifth Business Day prior to each Interest Payment Date, and on any other date upon receipt of an Issuer Order to do so, the Trustee is required to determine the Value of the Investment Securities on deposit in the Debt Service Reserve Fund to determine whether or not the Debt Service Reserve Requirement has been met.

The Debt Service Reserve Fund is required to be replenished from amounts on deposit in the Revenue Fund as provided under the caption "*Revenue Fund*" above, from the Surplus Fund as provided

under the caption “*Surplus Fund*” above, or from State Debt Service Reserve Fund Payments received by the Trustee.

The Issuer is required at all times to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement. If, as of December 1 in any calendar year, the balance in the Debt Service Reserve Fund is less than or projected to be less than the Debt Service Reserve Requirement, the Issuer is required to take the measures described under the caption “*Deficiency Filing*” below.

Deficiency Filings. The Issuer is required to (i) semi-annually by May 15 and November 15 of each calendar year cause the Trustee to value the Debt Service Reserve Fund, and (ii) by November 15 of each calendar year determine whether, taking into account all moneys (including Revenues to be received) available for payment of Debt Service under the General Indenture, there will be a shortfall or shortfalls in the amounts necessary to pay Debt Service due and payable on the Bonds during the Fiscal Year commencing on the following July 1. The Commissioner is required to annually, on or before December 1 of each calendar year make and deliver to the Governor of the State, in accordance with Section 136A.1787 of the Act, a Certificate stating the sums, if any, (i) required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement as of such December 1, and (ii) to be needed during the Fiscal Year commencing on the following July 1, along with other funds pledged under the General Indenture, and estimated to be received during that Fiscal Year (and available for such payment), for the payment of Debt Service due and payable in that Fiscal Year on the Bonds. All State Debt Service Reserve Fund Payments received by the Issuer from the State are required to be immediately transferred to the Trustee and, upon receipt of an Issuer Order to do so, deposited in the Debt Service Reserve Fund and applied in accordance with the General Indenture. All State Shortfall Payments received by the Issuer from the State are required to be immediately transferred to the Trustee and, upon receipt by the Trustee of an Issuer Order to do so, deposited in the Revenue Fund and applied in accordance with the terms of the Indenture.

All moneys to be paid to the Issuer by operation of the provisions of the Act described above are subject to appropriation by the State Legislature for such purpose from time to time. The State Legislature has no legal obligation to make such appropriations, and the provisions of the Act described in the General Indenture do not constitute a legally enforceable obligation of the State.

Acquisition Fund. The Trustee is required to deposit in the Acquisition Fund the amounts set forth in any Supplemental Indenture. Moneys in the Acquisition Fund are required to be used to Finance Student Loans and, subject to certain provisions of the General Indenture and to the extent provided in a Supplemental Indenture, to pay Costs of Issuance and initial Program Expenses at or about the time of issuance of a Series. Additionally, except as set forth in any Supplemental Indenture, upon receipt of an Issuer Order to do so, the Trustee is required to apply the moneys in the Acquisition Fund By Class in Descending Priority, to the extent of any deficiency after applying the moneys in the Revenue Fund, the Surplus Fund and (to the extent provided in a Supplemental Indenture) the Capitalized Interest Fund, to the same uses as set forth under the caption “*Revenue Fund*” above.

Capitalized Interest Fund. The Trustee will deposit the amounts required by any Supplemental Indenture into the Capitalized Interest Fund. Moneys in the Capitalized Interest Fund will be transferred to the Revenue Fund and used to pay interest on the Bonds and Program Expenses in accordance with the applicable Supplemental Indenture.

Excess Interest Fund.

(a) No later than 60 days after each Excess Interest Calculation Date, the Issuer is required to determine the Excess Interest, or cause the Excess Interest to be determined, as of the preceding Excess Interest Calculation Date and deliver the calculation to the Trustee, along with a statement of a Rebate Analyst, to the effect that:

(i) the Rebate Analyst has made a review of the records of account and schedules in accordance with generally accepted auditing standards, and

(ii) during the course of such review, nothing came to the attention of the Rebate Analyst that would lead it to believe that such records and schedules were not prepared as described under this caption or, if anything did come to the attention of the Rebate Analyst, a summary of the discrepancies.

(b) The first time the calculation shows the existence of Excess Interest, the Issuer is required to (I) direct the Paying Agent on behalf of the Trustee to establish an Excess Interest Fund and (II) direct the Trustee to transfer an amount equal to the Excess Interest from the following funds, By Class in Descending Priority, in the following order of priority: (1) Surplus Fund, (2) Revenue Fund and (3) Acquisition Fund. Thereafter, within 60 days after each Excess Interest Calculation Date, the Issuer is required to take the following actions:

(i) If the amount on deposit in the Excess Interest Fund is less than the Excess Interest as of the preceding Excess Interest Calculation Date, the Issuer in an Issuer Order will direct the Trustee to transfer sufficient funds to the Excess Interest Fund so that the amount on deposit is equal to Excess Interest, from the following Funds in the following order of priority: (1) Surplus Fund, (2) Revenue Fund and (3) Acquisition Fund.

(ii) If the amount on deposit in the Excess Interest Fund is greater than the Excess Interest, the Issuer in an Issuer Order is required to direct the Trustee to transfer to the Surplus Fund money sufficient to cause the amount on deposit in the Excess Interest Fund to be equal to the Excess Interest as of such Excess Interest Calculation Date.

(c) In order to maintain the status of the Bonds as Tax-exempt Bonds, the Issuer covenants:

(i) to direct the Trustee in an Issuer Order to withdraw from the Excess Interest Fund and remit to the United States Treasury, Yield Reduction Payments in such manner and amounts and on such dates as may be required or permitted by Section 148 of the Code and § 1.148-5(c) of the Treasury Regulations issued thereunder, in each case solely in accordance with the Issuer Order, unless the Issuer obtains a Favorable Opinion that such payments are not required; or

(ii) to direct the Trustee in an Issuer Order to transfer a specified amount from the Excess Interest Fund to the Surplus Fund at any time, upon providing the Trustee with a Favorable Opinion regarding such transfer; or

(iii) to forgive the indebtedness on all or a portion of the Student Loans to the extent necessary to prevent interest on any Tax-exempt Bonds from being includable in the gross income of the owners thereof for federal income tax purposes, or take such other action as may be provided in a Favorable Opinion.

(d) The Issuer is required to exercise reasonable diligence to assure that no error in the calculations is made and, if such an error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including the payment to the United States Treasury of any delinquent amounts owed to it, interest thereon, and any assessed penalty.

(e) Records of such determinations are required to be retained by the Issuer until six years after the retirement of all of the Tax-exempt Bonds of the related Series.

Rebate Fund.

(a) No later than 60 days after each Computation Date, the Issuer is required to determine, or cause to be determined, the Rebate Amount as of the preceding Computation Date and deliver such calculation to the Trustee, along with a statement of a Rebate Analyst, to the effect that:

(i) the Rebate Analyst has made a review of the records of account and schedules in accordance with generally accepted auditing standards, and

(ii) during the course of such review, nothing came to the attention of the Rebate Analyst that would lead it to believe that such records and schedules were not prepared in as described under this caption or, if anything did come to the attention of the Rebate Analyst, a summary of such discrepancies.

(b) The first time such calculation shows the existence of a Rebate Amount, the Issuer by Issuer Order is required to (I) direct the Paying Agent on behalf of the Trustee to establish a Rebate Fund and (II) direct the Trustee to transfer an amount equal to such Rebate Amount from the following funds, in the following order of priority: (1) Surplus Fund, (2) Revenue Fund and (3) Acquisition Fund. Thereafter, within 60 days after each Computation Date, the Issuer is required to take the following actions:

(i) If the amount on deposit in the Rebate Fund is less than the Rebate Amount as of the preceding Computation Date, the Issuer in an Issuer Order will direct the Trustee to transfer sufficient funds to the Rebate Fund so that the amount on deposit is equal to the Rebate Amount from the following Funds in the following order of priority: (1) Surplus Fund, (2) Revenue Fund and (3) Acquisition Fund.

(ii) If the amount on deposit in the Rebate Fund is greater than the Rebate Amount, the Issuer in an Issuer Order is required to direct the Trustee to transfer (A) to the Revenue Fund, or (B) if moneys have been provided by the Issuer under the General Indenture, to the Issuer, or (C) both, so that Gross Proceeds are not released from the Trust Estate, money sufficient to cause the amount on deposit in the Rebate Fund to be equal to the Rebate Amount as of such Computation Date.

(iii) If the amount on deposit in the Rebate Fund is less than the Rebate Amount, the Issuer is required to deposit funds with the Trustee in an amount equal to the difference to cause the amount on deposit in the Rebate Fund to be equal to the Rebate Amount as of such Computation Date and in an Issuer Order will direct the Trustee to make such deposit.

(c) In order to maintain the status of the Bonds as Tax-exempt Bonds, the Issuer covenants:

(i) to direct the Trustee in an Issuer Order to withdraw from the Rebate Fund and remit to the United States Treasury (in such manner and on such dates as may be required or

permitted by Section 148(f) of the Code and § 1.148-3 of the Treasury Regulations issued thereunder) the minimum amounts required by Section 148(f) of the Code to be rebated to the United States Treasury, in each case solely in accordance with the Issuer Order, unless the Issuer obtains a Favorable Opinion that such payments are not required; or

(ii) take such other action as may be provided in a Favorable Opinion.

(d) The Issuer is required to exercise reasonable diligence to assure that no error in the calculations required by this Section is made and, if such an error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including the payment to the United States Treasury of any delinquent amounts owed to it, interest thereon, and any assessed penalty.

(e) Records of such determinations are required to be retained by the Issuer until six years after the retirement of all of the Tax-exempt Bonds of the related Series.

Extraordinary Transfers to Rebate Fund and Excess Interest Fund. By noon on the Business Day preceding the maturity of the last Bond of a Series of Tax-exempt Bonds, the Issuer is required to determine or cause to be determined the Rebate Amount and Excess Interest expected on the date of such maturity and to deliver its calculations to the Trustee. On the date of receipt of such calculation and an Issuer Order to do so, the Trustee is required to: (a) first, transfer any required Rebate Amount to the Rebate Fund, and (b) second, transfer any Excess Interest to the Excess Interest Fund, from each of the following Funds By Class in Descending Priority, in the following order of priority: (1) Surplus Fund, (2) Revenue Fund and (3) Acquisition Fund.

Investments. Investment earnings on deposits in the Funds and Accounts are required to be distributed as follows: (a) investment earnings on amounts held in the Revenue Fund and Accounts therein remain in the Revenue Fund and the Account from which such earnings are derived; (b) investment earnings on amounts held in the Redemption Fund and Accounts therein remain in the Redemption Fund and the Account from which such earnings are derived; (c) investment earnings on amounts held in the Surplus Fund are required to be transferred to the Revenue Fund; (d) to the extent moneys held in an Account in the Debt Service Reserve Fund for a Series exceed the Debt Service Reserve Requirement (other than as a result of a State Debt Service Reserve Fund Payment), such excess is required to be transferred to the Account for such Series in the Revenue Fund upon receipt by the Trustee of an Issuer Order; (e) investment earnings on amounts held in the Acquisition Fund and Accounts therein remain in the Acquisition Fund and the Account from which such earnings are derived; (f) investment earnings on amounts held in the Excess Interest Fund remain in the Excess Interest Fund; (g) investment earnings on amounts held in the Rebate Fund remain in the Rebate Fund; and (h) investment earnings on amounts held in the Capitalized Interest Fund remain in the Capitalized Interest Fund.

Withdrawal of Excess Coverage. No later than March 15 or September 15 in each year while Bonds are Outstanding (the Monthly Deposit Date occurring two months prior to an Interest Date), the Issuer may deliver to the Trustee an Issuer Order, demonstrating that there is Excess Coverage in the Surplus Fund, certifying compliance with any applicable Supplemental Indenture, and specifying the amount of Excess Coverage requested to be released. Upon receipt of the Issuer Order, the Trustee will release to the Issuer from the Surplus Fund an amount equal to such Excess Coverage; provided that no amounts will be released to the Issuer under the provisions described above except in compliance with any applicable Supplemental Indenture or to the extent any amount is due or payable as described in clause (d) under the caption “*Surplus Fund*” above..

Order of Use of Amounts in Funds for Payment of Bonds. Except as set forth in any Supplemental Indenture, in the event there is on any Bond Payment Date a deficiency in the amounts to be applied to the payment of Debt Service on the Bonds, the Trustee is required to apply moneys from the named Funds in the following order: (1) Revenue Fund, (2) Surplus Fund, (3) Capitalized Interest Fund (to the extent provided in a Supplemental Indenture), (4) Acquisition Fund, (5) Debt Service Reserve Fund and (6) Redemption Fund (solely with respect to Bonds for which notice of payment or redemption of Bonds has not been given).

Particular Covenants. In the General Indenture, the Issuer covenants, represents, warrants and agrees with the Trustee and the Owners as follows:

Payment of Bonds. The Issuer will punctually pay the Debt Service and the Redemption Price of every Bond or cause the Debt Service and the Redemption Price of every Bond to be paid on the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and in the Indenture.

Perfection of Security Interest in Student Loans. The Issuer covenants that the Servicer will hold all Notes and that such Notes will be held by the Servicer in accordance with the Bailment Agreement. The Trustee is required to have a first perfected security interest in all Student Loans. The Issuer covenants in the Indenture to (i) warrant and defend its title to the Student Loans, the related Revenues and the Funds and Accounts against the claims and demands of all Persons; (ii) defend the Student Loans against all claims and demands of all Persons other than the Trustee and the Owners at any time claiming the same or any interest therein, (iii) comply with the requirements of all state and federal laws in order to grant to the Trustee (for the benefit of the Owners) valid and perfected first priority security interests in the Student Loans, and (iv) take all actions necessary to effect the purposes of the Indenture including filing notices of liens, UCC financing statements and amendments, renewals and continuations thereof. The Issuer, the Trustee and the Servicer are required to execute and deliver custodian agreements as directed by the Issuer and necessary under applicable law to perfect and maintain the security interest in the Student Loans created in the General Indenture.

Servicing Student Loans.

(a) The Issuer will properly service all Student Loans and enforce the payment and collection of all payments of principal and interest or cause such servicing to be done by the Servicer. The Servicer will be the Issuer's agent and subject to its general direction under a contract with the Servicer. The Servicer may perform its duties through Subservicers, except as may be provided by any Supplemental Indenture. The Servicer is responsible for the performance of its obligations under the Servicing Agreement and any Bailment Agreement, whether such obligations are performed by the Servicer or by a Subservicer. The Issuer is required to cause all Notes to be held in trust as part of the Trust Estate, by bailment or otherwise, subject to the lien of the General Indenture.

(b) The Issuer will cause each Servicing Agreement and Bailment Agreement to be diligently enforced, and to take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Servicing Agreements and Bailment Agreements, including the prompt payment of all principal and interest payments and all other amounts due the Issuer thereunder. The Issuer will not permit the release of the obligations of any Servicer under any Servicing Agreement or Bailment Agreement in any manner that materially adversely affects the rights or security of the Owners and is required at all times, to the extent permitted by law, to cause to be defended, enforced, preserved and protected the rights and privileges of the Issuer, the Trustee and the Owners under or with respect to each Servicing Agreement and Bailment Agreement. The Issuer will not consent or agree to or

permit any amendment or modification of any Servicing Agreement or Bailment Agreement which will in any manner materially adversely affect the rights or security of the Owners.

(c) The Issuer will perform an audit of the Servicer at least once each calendar year and include its findings in a written report. Upon the occurrence of a default or an Event of Default under the Indenture, the Issuer will perform an additional audit of the Servicer to ensure that the Servicer is complying with the terms of the Servicing Agreement and include its findings in a written report. The report is required to describe such compliance (or describe any noncompliance in reasonable detail).

(d) In the event that the Issuer becomes aware outside of the audit process described in the preceding paragraph of any material noncompliance by the Servicer with the Issuer's requirements for servicing Student Loans specified in the Servicing Agreement, the Issuer will use its best efforts to cause the Servicer to do all things necessary to cure such noncompliance.

(e) If, due to noncooperation of the Servicer, the audit is not completed by the Issuer within 30 days after the time required or if the Servicer fails to cure any noncompliance within 60 days after the Issuer provides notice of such noncompliance to the Servicer, unless in the opinion of the Issuer, the noncompliance is unable to be cured in 60 days and the Servicer is diligently proceeding to cure such noncompliance, the Issuer will commence the process for substitution of the Servicer (including meeting the requirements of an Event Notification) under a Servicing Agreement granting rights substantially identical to the rights granted under the initial Servicing Agreement with respect to the Student Loans.

Disposal and Consolidation of Student Loans. Subject to any additional restrictions contained in an applicable Supplemental Indenture providing for the issuance of a Series and other than with respect to withdrawal of Excess Coverage:

(a) Student Loans held under the General Indenture will be sold, assigned, transferred or otherwise disposed of by the Trustee on behalf of the Issuer free from the lien of the General Indenture at any time under the provisions described below or a Supplemental Indenture if the Trustee is provided the following:

(i) a Certificate signed by the Issuer demonstrating compliance with the requirements described below;

(ii) a Certificate of an Authorized Representative that, based on a Cash Flow Projection, such sale, assignment, transfer or other disposal does not adversely affect the Issuer's ability to pay (A) Debt Service on the Outstanding Bonds, (B) Program Expenses (to the extent the Issuer fails to pay such Program Expenses from another source), or (C) to make the required deposits to the credit of the Rebate Fund and the Excess Interest Fund;

(iii) the proceeds received from the sale, assignment, transfer or other disposal of the Student Loans, along with a certificate of an Authorized Representative to the effect that, if the Student Loans were disposed of in a cash transaction, the cash received for such Student Loans was not less than the fair market value thereof;

(iv) prior to any sale, assignment, transfer or other disposal, a Favorable Opinion;

(v) all other documentation required by the applicable Supplemental Indenture; and

(vi) in the case of an exchange of a Student Loan, the Student Loan to be exchanged therefor, as applicable.

(b) The Trustee is required to apply the disposal proceeds of Student Loans in accordance with the provisions set forth under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—Pledge of Indenture; Establishment of Funds and Accounts—*Revenue Fund*” in this Appendix B.

(c) The Issuer will use its best efforts to evaluate the reinvestment of principal and interest receipts with respect to Student Loans to ensure that it will continue to be able to pay Debt Service on all Outstanding Bonds in accordance with the terms of the applicable Supplemental Indentures.

(d) The Issuer may at any time and from time to time exchange Student Loans for other Student Loans having an aggregate principal amount and interest rate not less than the aggregate principal amount and interest rate of the Student Loans being exchanged, for the purpose of consolidating Student Loans of a single Borrower within one trust estate.

(e) Notwithstanding the foregoing, no exchange, sale, assignment, transfer or other disposal of Student Loans will be made if such exchange, sale, assignment, transfer or other disposal would have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on any Tax-exempt Bonds.

Continuing Existence; Successor to Issuer.

(a) The Issuer agrees that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights and franchises as an agency of the State, except as otherwise permitted as follows. The Issuer further agrees that it will not (i) sell, transfer or otherwise dispose of all or substantially all, of its assets (except Student Loans if such sale, transfer or disposition will discharge the Indenture in accordance with the provisions described under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defeasance*” in this Appendix B); (ii) consolidate with or merge into another entity; or (iii) permit one or more other entities to consolidate with or merge into it. The preceding restrictions in clauses (i), (ii) and (iii) above do not apply to a transaction if the transferee or the surviving or resulting entity, if other than the Issuer, by proper written instrument for the benefit of the Trustee, irrevocably and unconditionally assumes the obligation to perform and observe the agreements and obligations of the Issuer under the Indenture.

(b) Any transfer made as provided in the above paragraph is subject to the receipt by the Issuer and the Trustee of a Favorable Opinion.

(c) If a transfer is made as provided above, these provisions will continue in full force and effect and no further transfer will be made except in compliance with these provisions.

Covenants Regarding Student Loans. No amount in the Acquisition Fund, the Revenue Fund, or the Surplus Fund will be expended or applied for the purpose of Financing a Student Loan, and no Student Loan will be Financed under the General Indenture, unless the Issuer has determined, as of the date of acquisition of such Student Loan, that it will meet the following criteria:

(a) Each Student Loan is evidenced by a Note, either manually or electronically signed by the Borrower and if there is a Cosigner, the Cosigner, which Note is a valid and binding obligation of the Borrower and, if there is a Cosigner, the Cosigner, enforceable by or on behalf

of the holder thereof in accordance with its terms, subject to bankruptcy, insolvency and other laws relating to or affecting creditors' rights.

(b) The amount of the unpaid principal balance of each Student Loan is true and owing, and no counterclaim, offset, defense or right to rescission exists with respect to any Student Loan which can be asserted and maintained or which, with notice, lapse of time, or the occurrence or failure to occur of any act or event, could be asserted and maintained by the Borrower against the Trustee as assignee thereof. The Issuer is required to take all reasonable actions to assure that no maker of a Student Loan has or may acquire a defense to the payment thereof.

(c) No Student Loan has a payment that is more than 60 days delinquent (delinquent, for this purpose, meaning that a payment has not been made as of its due date).

(d) The Issuer has full right, title and interest in each Student Loan free and clear of all liens, pledges or encumbrances whatsoever.

(e) Each Student Loan was made in compliance with all applicable local, state and federal laws, rules and regulations, including without limitation all applicable nondiscrimination, truth-in-lending, consumer credit and usury laws.

(f) All Student Loan documentation is required to be delivered to the Servicer (as custodian for the Trustee) prior to disbursement of amounts to Finance such Student Loan.

(g) Each Student Loan is accruing interest (whether or not such interest is being paid currently by the Borrower, is past due and unpaid, or is being capitalized).

(h) Each Student Loan bears interest at a fixed or variable interest rate, as specified in a Supplemental Indenture.

Payment of Program Expenses. At the option of the Issuer, the Issuer may pay Program Expenses from a source of funds outside of the Trust Estate. To the extent the Issuer pays any Program Expenses, the Issuer is required to notify the Trustee of the amount of Program Expenses so paid within five calendar days of the payment thereof.

Supplemental Indentures Not Requiring the Consent of Owners. For any one or more of the following purposes and at any time or from time to time subject to the provisions described in the succeeding paragraph, a Supplemental Indenture not requiring the consent of Owners may be executed and delivered by the Issuer and the Trustee for the following purposes: (a) to provide limitations and restrictions in addition to the limitations and restrictions contained in the General Indenture or in any Supplemental Indenture on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; (b) to add to the covenants and agreements of the Issuer in the General Indenture or in any Supplemental Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect; (c) to add to the limitations and restrictions in the General Indenture or in any Supplemental Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect; (d) to surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of the General Indenture or of any Supplemental Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Indenture; (e) to confirm, as further assurance, any pledge under, and to subject any lien or pledge created or to be created by, the General Indenture, on or of the Revenues or on or of any other revenues or

assets; (f) to modify any of the provisions of the General Indenture or of any Supplemental Indenture in any respect whatever, but only if (i) such modification will be, and be expressed to be, effective only after all Bonds Outstanding at the date of the execution of such Supplemental Indenture will cease to be Outstanding; and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds authenticated and delivered after the date of the execution of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; (g) to authorize the issuance of one or more Classes or Series and to prescribe the terms and conditions upon which such Class or Series may be issued; (h) to create additional special trust accounts for the further securing of all Bonds or a Series secured by the General Indenture if along with such Supplemental Indenture there is filed an Opinion of Bond Counsel to the effect that the creation and operation of such account does not materially adversely affect the existing security of the Owner of any Outstanding Bond; (i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provisions in the General Indenture or in any Supplemental Indenture; (j) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect; (k) to provide for additional duties of the Trustee in connection with the Student Loans; (l) to obtain, maintain or improve the rating on any of the Bonds; (m) to provide for the orderly sale or remarketing of Bonds; (n) to make any other change which is necessary or desirable to maintain the tax status of the Tax-exempt Bonds; or (o) to make any change which is not to the material prejudice of the Trustee or the Owners.

Any Supplemental Indenture permitted or authorized by clauses (a) through (o) above may be executed by the Issuer without notice to or the consent of any of the affected Owners; provided that no such modification will be effective if the consent of all Owners would be required therefor under the provisions under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Supplemental Indentures Requiring Consent of Owners*” in this Appendix B and such consent has not been obtained. The copy of each Supplemental Indenture authorized by clauses (a) through (o) above and filed with the Trustee is required to be accompanied by a Favorable Opinion.

Supplemental Indentures Requiring Consent of Owners. Except as provided in the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Supplemental Indentures Not Requiring Consent of Owners*” in this Appendix B, any modification of or amendment to the Indenture and of the rights and obligations of the Issuer or of the Owners of the Bonds of any particular Series may be made by a Supplemental Indenture, with the written consent of: (i) the Majority Owners of Bonds By Class in Descending Priority Outstanding; and (ii) in case less than all of the several Series then Outstanding are affected by the modification or amendment, of the Majority Owners of the Bonds of each Series so affected and Outstanding at the time such consent is given.

Nothing shall permit or be construed as permitting without the consent of the Owner of each Bond which would be affected thereby (i) an extension of the maturity of the principal of or the interest on any Bond, whether at the Stated Maturity thereof, on the date of a Sinking Fund Payment or otherwise, (ii) a change in the terms of any Sinking Fund Payment, (iii) a reduction in the principal amount of any Bond or Redemption Price, or the rate of interest thereon, (iv) the percentages of such Series or Class within that Series for the purpose of the Owners’ consenting to any modification of or amendment to the Indenture or otherwise affect the Classes of Bonds, (v) other than as provided in the General Indenture with respect to Classes of Bonds, a privilege or priority of any Bonds over any other Bonds, (vi) other than as provided in the General Indenture with respect to Classes of Bonds, the creation of any lien ranking prior to or on a parity with the lien of the General Indenture on the Trust Estate or any part thereof, (vii) deprivation of an Owner of the lien created by the General Indenture on the rights, title, interest, privileges, revenues, moneys and securities pledged under the General Indenture, or (viii) the modification of any of the provisions described in this paragraph.

If any such modification or amendment will not take effect so long as any Bonds of any specified Stated Maturity remain Outstanding, however, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds.

Defaults and Remedies.

Events of Default. Each of the following events is an “Event of Default”:

(a) (i) payment of the principal on any Class I Bond is not made when and as the same becomes due, other than the principal component of Sinking Fund Payments on Cumulative Sinking Fund Term Bonds, and (ii) if no Class I Bonds are Outstanding, payment of the principal on any Class II Bond is not made when and as the same becomes due, other than the principal component of Sinking Fund Payments on Cumulative Sinking Fund Term Bonds; or

(b) (i) payment of any installment of interest on any Class I Bond is not made when and as the same becomes due, and (ii) if no Class I Bonds are Outstanding, payment of the interest on any Class II Bond is not made when and as the same becomes due; or

(c) (i) unless notice of redemption is revoked as permitted by the Indenture, payment of the Redemption Price on any Class I Bond is not made when and as the same becomes due, and (ii) if no Class I Bonds are Outstanding, payment of the Redemption Price on any Class II Bond is not made when and as the same becomes due; or

(d) failure to pay Debt Service on Cumulative Sinking Fund Term Bonds at their Stated Maturity; or

(e) (i) the Issuer fails or refuses to comply with the provisions of the Indenture, or defaults in the performance or observance of any other covenant, agreement or condition on its part contained in the Indenture or the Bonds, other than those described in clauses (a) through (d) above, and (ii) such failure, refusal or default continues for a period of 45 days after written notice thereof has been delivered to the Issuer by the Trustee or by the Minority Owners.

Remedies. Upon the occurrence and continuance of any Event of Default specified in clauses (a) through (d) under the caption “*Events of Default*” above, the Trustee is required to promptly notify the Issuer and each Indenture Agent of the existence of the Event of Default or upon the occurrence and continuance of any Event of Default specified in clause (e) under the caption “*Events of Default*” above, of which a Responsible Officer has actual knowledge, the Trustee is required to promptly notify the Issuer and each Indenture Agent of the existence of the Event of Default. The Trustee may, or, if instructed by the Owners as described in the General Indenture, is required to, proceed in its own name to protect and enforce the rights of the Owners by such of the following remedies, as the Trustee deems most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners, including the right to require the Issuer to carry out the covenants and agreements as to, and the assignment of, Student Loans and to require the Issuer to carry out any other covenants or agreements with Owners and to perform its duties as prescribed by law;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, to require the Issuer to account as if it were the trustee of an express trust for the Owners;

(d) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; or

(e) immediately declare the principal of the Bonds then Outstanding to be immediately due and payable, whereupon the principal and the accrued interest on such Bonds through the date of acceleration will, without further action, become and be immediately due and payable, anything in the Indenture, or in the Bonds to the contrary notwithstanding. If all defaults are cured, then the Trustee may annul such declaration and its consequences.

In the enforcement of any rights and remedies under the Indenture, the Trustee is entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Issuer for principal, interest or otherwise, under any provision of the Indenture or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds without prejudice to any other right or remedy of the Trustee or of the Owners, and to recover and enforce a judgment or decree against the Issuer for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pretrial, trial and appellate attorney fees), and to collect from the Issuer any moneys adjudged or decreed to be payable; provided, however, any recovery against the Issuer is limited to the Trust Estate.

Upon the occurrence of any Event of Default, and on the filing of suit or other commencement of judicial proceedings to enforce the rights of the Owners under the Indenture, the Trustee is entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

Upon the occurrence and during the continuance of an Event of Default under the Indenture, the Issuer may not receive, keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Student Loans and the proceeds of any collections therefrom.

The Trustee will select and liquidate or sell Trust Estate assets as provided in the following paragraph, and will not be liable to any Owner or the Issuer by reason of such selection, liquidation or sale.

Whenever moneys are to be applied under the provisions of the General Indenture upon an Event of Default irrespective of and whether other remedies authorized under the Indenture have been pursued in whole or in part, the Trustee may, and at the direction of the Majority Owners, is required to cause any or all of the assets of the Trust Estate to be sold, subject to the following provisions of this paragraph. The Trustee may sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale is a perpetual bar both at law and in equity against the Issuer, the Owners, and all other Persons claiming such properties. No purchaser at any sale is bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency or regularity of any such sale. Nevertheless, if so requested by the Trustee, the Issuer is required to ratify and confirm any sale or sales by executing and delivering to the Trustee or to such

purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

The Trustee will promptly notify Persons claiming in writing to be Beneficial Owners (i) upon an Event of Default occurring under clauses (a) through (d) under the caption “*Events of Default*” above, or (ii) upon a Responsible Officer having actual knowledge of the occurrence of an Event of Default under clause (e) under the caption “*Events of Default*” above, or an event leading to an Event of Default with the passage of time or the giving of notice. The latter consists of events that have occurred but are not yet an Event of Default because of a time delay (cure period) specified in the Indenture.

Notwithstanding the foregoing, the Trustee is prohibited from selling the Student Loans following an Event of Default, other than a default in the payment of any principal or interest on any Bond, unless:

- (i) the Owners of all of the Highest Priority Bonds at the time Outstanding consent to such a sale; or
- (ii) the proceeds of such a sale will be sufficient to discharge all the Outstanding Bonds pursuant to the General Indenture at the date of such a sale; or
- (iii) the Issuer, or the Commissioner on behalf of the Issuer, determines that the collections on the Student Loans would not be sufficient on an ongoing basis to make all payments on such Bonds as such payments would have become due if such Bonds had not been declared due and payable, and the Trustee obtains the consent of the Owners of at least 66-2/3% of the aggregate principal amount of the Highest Priority Bonds at the time Outstanding, to the extent such Owners have not consented under clause (i) of this paragraph.

In addition to the requirements of the preceding paragraph, such a sale following an Event of Default, other than a default in the payment of any principal or interest on any Bond, also requires the consent of all the Owners of the Class II Bonds (to the extent such Class II Bonds are not the Highest Priority Bonds Outstanding) unless the proceeds of such a sale would be sufficient to discharge the Class II Bonds pursuant to the General Indenture at the date of such a sale.

Priority of Payments after Default. In the event that upon the occurrence and during the continuance of any Event of Default, the funds held by the Trustee and Paying Agents are insufficient for the payment of Debt Service or Redemption Price then due on the Outstanding Bonds, such funds (other than funds held for the payment of particular Bonds as described under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defeasance*” of this Appendix B or which have theretofore become due at Stated Maturity) and any other amounts received or collected by the Trustee acting under the provisions of the General Indenture, after providing for the payment of any expenses necessary to protect the interest of the Owners, in an amount provided by the Owners to the Trustee, and for the payment of the fees, charges and expenses and liabilities incurred and advances made by the Trustee or another Indenture Agent in the performance of its respective duties under the Indenture, are required to be applied as follows:

- (a) Unless the principal of all of the Outstanding Bonds have become or have been declared due and payable:

FIRST: To the payment to the Persons entitled to all installments of interest then due on Class I Bonds and, if the amount available is not sufficient to pay in full any interest installment, then to the payment thereof ratably, according to the amounts of

interest installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

SECOND: To the payment to the Persons entitled to the unpaid principal or the principal component of the Redemption Price of any Class I Bonds which has become due and, if the amount available is not sufficient to pay in full all such principal amounts due, then to the payment thereof ratably, according to the amounts of principal or the principal component of the Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

THIRD: To the payment to the Persons entitled to all installments of interest then due on Class II Bonds and, if the amount available is not sufficient to pay in full any interest installment, then to the payment thereof ratably, according to the amount of interest installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

FOURTH: To the payment to the Persons entitled to the unpaid principal or the principal component of the Redemption Price of any Class II Bonds which has become due and, if the amount available is not sufficient to pay in full all such principal amounts due, then to the payment thereof ratably, according to the amounts of principal or the principal component of the Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Bonds have become due or have been declared due and payable and such declaration has not been annulled and rescinded under the provisions of the Indenture,

(A) first, to payment of the then due and unpaid principal of and interest on the Class I Bonds, without preference of priority of any amount due and owing under the foregoing over any other amount due and owing under the foregoing whether principal, interest or any other amount, ratably, according to the amounts due to the Persons entitled thereto without any discrimination or preference except any difference in the respective rates of interest specified in the Class I Bonds; and

(B) second, to payment of the then due and unpaid principal of and interest on the Class II Bonds, without preference of priority of any amount due and owing under the foregoing over any other amount due and owing under the foregoing whether principal, interest or any other amount, ratably, according to the amounts due to the Persons entitled thereto without any discrimination or preference except any difference in the respective rates of interest specified in the Class II Bonds.

(c) If the principal of all Outstanding Bonds shall have been declared immediately due and payable, and if such declaration has thereafter been rescinded and annulled under the provisions of the Indenture, then in the event that the principal of all Outstanding Bonds shall later become due or be declared due and payable, the moneys are required to be applied in accordance with the provisions of paragraph (a) above.

Whenever moneys are to be applied by the Trustee, such moneys are required to be applied by the Trustee at such times, and from time to time, as directed in writing by the Majority Owners.

Termination of Proceedings. In case any proceeding is taken and then discontinued or abandoned for any reason then in every such case the Issuer, the Trustee and the Owners will be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies, powers and duties of the Trustee will continue as though no such proceeding had been taken.

Owners' Direction of Proceedings. Upon the occurrence of an Event of Default described in clause (e) under the caption "*Events of Default*" above, the Owners of not less than 100% in principal amount of the Highest Priority Bonds then Outstanding or, upon the occurrence of an Event of Default described in clauses (a) through (d) under the caption "*Events of Default*" above, the Majority Owners of the Highest Priority Bonds then Outstanding have the right to direct the Trustee to take all or any of the actions described in the first paragraph under the caption "*Remedies*" above. In the event that such Owners have previously given to the Trustee notice of an Event of Default and have afforded the Trustee a reasonable opportunity, following the offer to the Trustee of security and indemnity satisfactory to it against the fees, costs, expenses and liabilities to be incurred thereby, either to proceed to exercise the powers granted in the Indenture or to pursue a remedy described in the Indenture, and the Trustee has refused or neglected to comply with such request, then the Majority Owners of the Highest Priority Bonds then Outstanding may exercise such rights.

Limitation on Rights of Owners. Except as otherwise specifically provided under the caption "*Owners' Direction of Proceedings*" above or under this caption, no Owner of any Bond will have any right to institute any suit, action, mandamus or other proceeding in equity or at law, or for the protection or enforcement of any right under the Indenture. It is understood and intended that, except as otherwise above provided, no one or more Owners will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right granted with respect to the Bonds or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, continued and maintained in the manner provided in the Indenture and for the benefit of Owners of the Outstanding Bonds.

Each Owner of any Bond by acceptance thereof is deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable pretrial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but these provisions do not apply to any suit instituted by the Trustee.

Concerning the Indenture Agents.

Appointment and Acceptance of Duties of Trustee. By executing the General Indenture, the Trustee accepts the trusts and obligations imposed upon it by the Indenture and agrees to perform such trusts and obligations, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and there is no implied duties or obligations. In case an Event of Default has occurred (which has not been cured or waived) the Trustee is required to exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use in the circumstances in the conduct of their own affairs.

(b) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties by or through attorneys, agents, receivers or employees and will have no liability therefor if such agents were appointed with due care, and is entitled to act, upon the opinion or advice of its counsel concerning all matters of the Indenture, and may in all cases be reimbursed for reasonable compensation paid to all such attorneys, agents, receivers and employees in connection with the trust of the Indenture. The Trustee may act upon an Opinion of Counsel, including Bond Counsel and the advice of other Counsel and experts, and will not be responsible for any loss or damage resulting from any action by it taken or omitted to be taken in good faith in reliance upon such Opinion of Counsel or advice of other Counsel and experts. The Trustee may act upon an Issuer Order and will not be responsible for any loss or damage resulting from any action by it taken or omitted to be taken in good faith in reliance upon such Issuer Order without gross negligence or willful misconduct. The Trustee need not investigate or make any independent determination of the facts, representations or conclusions contained in an Issuer Order. Prior to taking any action under the Indenture, the Trustee is entitled to an Issuer Order and/or an Opinion of Counsel that all conditions precedent under the Indenture to the taking of such action have been satisfied.

(c) The Trustee is protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document or electronic communication reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee under the Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Owner of any Bond will be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(d) The Trustee is not accountable or responsible in any manner whatsoever for any action of the Issuer, any other Indenture Agent or the Servicer, or for the application of moneys by any Servicer until such time as funds are received by the Trustee.

(e) In fulfilling its responsibilities under the Indenture, under any other instrument or agreement, or under law the Trustee may act in full reliance upon the Issuer or any Servicer with respect to all determinations made, actions taken and directions to the Trustee given by them, and the Trustee has no duty or responsibility to the Issuer, the Servicer, the Owners or any other Person or entity for any action (or inaction) of the Trustee taken in reliance upon such determinations, actions or directions. To the extent permitted by law, the Issuer is required to hold the Trustee harmless for any error or omission resulting from the Trustee's reliance upon the Issuer, the Indenture or any Servicer unless in connection with such action or omission the Trustee has willfully failed or failed with gross negligence to perform its obligations under an agreement with any Servicer or under the Indenture.

(f) The Trustee will not be responsible or liable for a failure or delay in the performance of its obligations under the Indenture from or caused by, directly or indirectly, forces beyond its control, including strikes, work stoppages, acts of war, terrorism, civil or military disturbances, nuclear catastrophes, fires, floods, earthquakes, storms, hurricanes or other natural catastrophes and interruptions, unforeseeable loss or failures of mechanical, electronic or communication systems. The Trustee will use reasonable efforts consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(g) The Trustee is not required to take any action it is directed to take under the Indenture if the Trustee determines in good faith that the action so directed would involve the

Trustee in personal liability, be unjustly prejudicial to the non-directing Owners, or is inconsistent with the Indenture.

(h) In no event will the Trustee be liable for failure to perform its duties under the Indenture if such failure is a direct or proximate result of another party's failure to perform its obligations under the Indenture.

(i) The Trustee's receipt of reports and information under the Indenture does not constitute notice of any information contained therein or determinable therefrom, including but not limited to a party's compliance with covenants under the Indenture.

Responsibilities of Indenture Agents. The recitals of fact in the General Indenture and in the Bonds contained are taken as the statements of the Issuer and no Indenture Agent assumes any responsibility for the correctness of the same. No Indenture Agent makes any representation as to the validity or sufficiency of the Indenture or of any Bonds or in respect of the security afforded by the Indenture, and no Indenture Agent will incur any responsibility in respect thereof. The Authenticating Agent is, however, responsible for its representations contained in its certificate on the Bonds. No Indenture Agent is under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Issuer. No Indenture Agent is under any responsibility or duty with respect to the application of any moneys paid to any other Indenture Agent. No Indenture Agent is under any obligation or duty to perform any act which would involve an expense or liability or to institute or defend any suit in respect of the Indenture, or to advance any of its own moneys, unless indemnified to its satisfaction. No Indenture Agent will be liable in connection with the performance of its duties under the Indenture except for its own negligence (or, with respect to the Trustee, for its own gross negligence) or willful misconduct. Neither the Trustee nor any Paying Agent is under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60-days' written notice to the Issuer, and mailing notice thereof specifying the date when such resignation will take effect to the Owners, and such resignation will take effect upon the day specified in such notice unless previously a successor has been appointed, as provided under the caption "*Appointment of Successor Trustee*" below, in which event such resignation will take effect immediately on the appointment of such successor. Notwithstanding the foregoing, no resignation of the Trustee under the Indenture becomes effective until a successor Trustee has been appointed and accepted its appointment.

Removal of Trustee. The Trustee will be removed by the Issuer with at least 30 days prior written notice if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Issuer and signed by the Majority Owners or their attorney-in-fact. Notwithstanding the foregoing, no removal of the Trustee will become effective until a successor has been appointed and has accepted such appointment.

Appointment of Successor Trustee. If at any time the Trustee resigns or is removed or becomes incapable of acting, or is adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property is appointed, or if any public officer takes charge or control of the Trustee, or of its property or affairs, the Issuer covenants and agrees that it will promptly thereupon appoint a successor Trustee. The Issuer is required to mail notice of any such appointment made by it within 20 days after such appointment to all Owners of Bonds.

If no appointment of a successor Trustee has been made within 45 days after the Trustee is required to have given to the Issuer written notice, or after a vacancy in the office of the Trustee has occurred by reason of its inability to act, the Trustee or the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Every successor Trustee is required to be a commercial bank or trust company in good standing having the powers of a trust company within the State and authorized to exercise trust powers and subject to examination by federal or state authority.

Defeasance. If the Issuer satisfies the applicable provisions described under this caption, then the Bonds will be deemed to have been paid and no longer Outstanding and the pledge of the Trust Estate, including any Revenues and other moneys, securities, funds and property pledged under the General Indenture and all other rights granted by the General Indenture will be discharged and the obligations of the Issuer under the General Indenture satisfied. In such event, the Trustee is required, upon the request of the Issuer, to execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction and the Indenture Agents are required to pay over or deliver to the Issuer all moneys or securities held by them pursuant to the Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment.

Advance Refunding. Except as otherwise provided in any Supplemental Indenture, all Bonds to be redeemed on any date more than 60 days prior to their Stated Maturity or Redemption Date will be deemed to have been paid and no longer Outstanding:

(i) If (A) the Issuer has given to the Trustee in form satisfactory to it (I) irrevocable written instructions to mail to the Owners notice of redemption of such Bonds stating the Redemption Date upon which moneys are to be available for the payment of the Redemption Price on said Bonds; (II) irrevocable written instructions to mail, as soon as practicable, a notice to the Owners of such Bonds stating that (x) the deposit required by clause (B) of this paragraph has been made with the Trustee, (y) said Bonds are deemed to have been paid as described under this caption, and (z) each Stated Maturity or Redemption Date upon which moneys are to be available for the payment of the Debt Service or Redemption Price, if any, on said Bonds; (B) there has been deposited with or delivered to the Trustee (I) either moneys in an amount which are sufficient, or noncallable and nonprepayable Governmental Obligations (including any Governmental Obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when due, without reinvestment, will provide moneys which together with the moneys, if any, deposited with the Trustee at the same time, are sufficient to pay when due the principal of and interest to become due on such Bonds on and prior to the Redemption Date or Stated Maturity date thereof, as the case may be, verified as to sufficiency by a report of an Accountant and (II) a Favorable Opinion; and (C) the Issuer has paid or provided for the payment of (I) all Rebate Amounts and Excess Interest required to be paid to the United States Treasury and (II) the fees, costs and expenses of each Indenture Agent.

(ii) The Trustee is required to deposit the moneys to be irrevocably set aside for payment of the Debt Service and/or Redemption Price of the Bonds in a separate redemption account or pursuant to a separate escrow agreement, if the Issuer so designates.

(iii) Neither Governmental Obligations or moneys deposited with the Trustee described under this caption nor principal or interest payments on any such Governmental Obligations may be withdrawn or used for any purpose other than, and are required to be held in

trust for, the payment of the Debt Service or Redemption Price, if any, on said Bonds; but any cash received from such principal or interest payments on such Governmental Obligations deposited with the Trustee, if not then needed for such purpose, are required to, to the extent practicable, be reinvested in Governmental Obligations maturing at times and in amounts sufficient to pay when due the Debt Service or Redemption Price, if any, to become due on said Bonds on and prior to their Stated Maturity, as the case may be, and interest earned from such reinvestments is required, subject to receipt by the Trustee and the Issuer of a report of an Accountant verifying continued sufficiency and a Favorable Opinion, to be paid over to the Issuer as received by the Trustee, free and clear of any trust, lien or pledge.

Current Refunding. Except as otherwise provided in any Supplemental Indenture, if all Bonds are to be redeemed on any date less than 60 days prior to their Stated Maturity, such Bonds will, prior to the Redemption Date thereof, be deemed to have been paid and no longer Outstanding if (i) the Issuer has given the Trustee irrevocable written notice of redemption of the Bonds; (ii) there has been deposited with the Trustee moneys in an amount which, when added to the other moneys in the Indenture certified to be available by the Issuer, are certified by the Issuer to be sufficient to pay the principal of and interest on the Bonds to and on the Redemption Date; and (iii) the Issuer has paid or provided for the payment of (A) all Rebate Amounts and Excess Interest required to be paid to the United States Treasury and (B) the fees, costs and expenses of each Indenture Agent. The Trustee is required to deposit the moneys to be set aside for payment of the Redemption Price of the Bonds in a separate redemption account or pursuant to a separate escrow agreement, if the Issuer so designates. The money is required to be invested only in non-callable and non-prepayable Governmental Obligations which mature prior to the Redemption Date.

Partial Defeasance. The deposits described under the captions “*Advance Refunding*” and “*Current Refunding*” above may be made with respect to any portion of any Series or Class within any particular Stated Maturity, in which case such Bonds will no longer be deemed to be Outstanding, and the Owners of such defeased Bonds will be secured only by such trust funds and not by any other part of the Trust Estate, and the General Indenture and the applicable Supplemental Indenture will remain in full force and effect to protect the interests of the Owners of Bonds remaining Outstanding thereafter. The provisions of the Indenture relating to payment, registration, transfer and redemption of Bonds will remain in effect until final Stated Maturity or the Redemption Date of the Bonds.

From and after the date of payment or defeasance in full, of all Bonds Outstanding, the Issuer has the right to receive payments with respect to all Student Loans.

The Second Supplemental Indenture

The following is a summary or extract of certain provisions of the Second Supplement. Such summary or extract does not purport to be complete and is subject to change prior to delivery of the Series 2020 Bonds.

Authorization, Terms and Issuance of Series 2020 Bonds.

Principal Amount, Designation and Series. The Series 2020 Bonds are authorized to be issued in the aggregate principal amount of \$57,690,000 under and subject to the terms, conditions and limitations established in the General Indenture and the Second Supplement.

Purposes of Issuance. The Series 2020 Bonds are being issued to current refund the Refunded Bonds and thereby obtain funds to Finance Student Loans and to fund the Debt Service Reserve Requirement.

Deposits into Funds and Accounts; Disposition of Proceeds of the Sale of the Series 2020 Bonds; and Use and Disbursements of Funds.

Deposits into Funds and Accounts on the Issue Date. The sale proceeds of the Series 2020 Bonds will be distributed and applied in accordance with the table under the heading “SOURCES AND USES OF FUNDS” in the body of this Official Statement and the following provisions. Throughout the Loan Origination Period, the Trustee is required to transfer the amount deposited in the Series 2020 Account of the Acquisition Fund to the Issuer (i) to make disbursements on Student Loans (in the case of that portion of any Student Loans to be Originated with amounts from the Series 2020 Account of the Acquisition Fund), or (ii) in exchange for a like aggregate principal amount as of the date of transfer of Student Loans (in the case of Student Loans (including Student Loans which have not been fully disbursed as of the date of transfer) to be Originated with amounts from the Series 2020 Account of the Acquisition Fund). Such transfers, as well as any subsequent acquisitions of Student Loans by the Trustee under the General Indenture, will be evidenced by an Assignment in substantially the form attached to the Second Supplement. All Student Loans so transferred will be deposited to the credit of the Series 2020 Account of the Student Loan Fund and constitute a part of the Trust Estate.

Recycling Limitations. Student Loans may be Originated under the General Indenture, with amounts credited to the Series 2020 Account of the Surplus Fund, only during the Recycling Period.

Accounts for Series 2020 Bonds.

For purposes of tracking amounts and loans attributable to the Series 2020 Bonds, the Paying Agent on behalf of the Trustee is required to establish a separate Account entitled “Series 2020 Account” in each of the Acquisition Fund, the Debt Service Reserve Fund, the Student Loan Fund, the Revenue Fund, the Redemption Fund and the Surplus Fund and these Accounts will be administered in the same manner as the Fund in which such Account is created as provided in the General Indenture; provided, however, as follows:

- (a) amounts transferred to the Acquisition Fund attributable to the Series 2020 Bonds are required to be deposited in the Series 2020 Account of the Acquisition Fund as described under the captions “*Deposits into Funds and Accounts on the Issue Date*” above; and
- (b) Student Loans acquired with amounts attributable to the Series 2020 Bonds will be credited to the Series 2020 Account of the Student Loan Fund; and
- (c) Student Loans acquired with amounts on deposit in the Series 2020 Account of the Surplus Fund will be credited to the Series 2020 Account of the Student Loan Fund; and
- (d) amounts received as repayments of Student Loans attributable to the Series 2020 Bonds and investment earnings thereon are required to be deposited into the Series 2020 Account of the Revenue Fund as provided in the General Indenture solely for the purpose of paying principal of and interest on the Series 2020 Bonds.

Limitation on Sale of Loans. The Issuer will not direct the sale of Student Loans credited to the Series 2020 Account of the Student Loan Fund under any provision of the General Indenture if, at the time of such sale, the Class I Bonds Parity Ratio is less than the Minimum Class I Bonds Parity Ratio.

Limitation on Program Expenses Paid from Revenue Fund. The amount of Program Expenses payable from the Revenue Fund under clause (b) under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—Pledge of Indenture; Establishment of Funds and Accounts—Revenue Fund” of

this Appendix B or payable as described under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defaults and Remedies—Priority of Payments after Default*” upon the occurrence and continuation of an Event of Default described in clause (e) under the caption “SUMMARIES OF DOCUMENTS—The General Indenture—*Defaults and Remedies—Events of Default*” (unless the Bonds have been accelerated at the direction of the Owners) may not exceed the amounts set forth in the Table of Program Expenses below, less amounts, if any, paid from other sources. Such amounts may be increased if the Issuer has satisfied the requirements of an Event Notification with respect to any such increase. The Program Expenses shown in the table below were assumed in the Cash Flow Projection delivered to the Trustee on the Issue Date. The excess of the annual amounts allocated below in each category over the annual Program Expenses in the related category and actually paid in each year is not carried forward to subsequent years and is non-cumulating. The amount indicated for one category is not available to pay excess costs in other categories.

Table of Program Expenses

Type of Program Expense	Annual Amount
Trustee’s Fees	\$15,000
Trustee’s Extraordinary Fees and Indemnities	\$25,000
Servicing Fees	Subject to the provisions of the Servicing Agreement
Other	\$25,000

To the extent the fees and expenses of the Trustee (excluding indemnities which are subject to the limitations of the General Indenture) exceed the amounts in the Table of Program Expenses and are not paid pursuant to the operation of the Revenue Fund specified in the General Indenture, or pursuant to operation of the Surplus Fund specified in the General Indenture, the Issuer, to the extent permitted by law, will pay such amount from available funds not held under the Indenture.

Financial Covenants. The Issuer may not permit its Tangible Net Worth less any loans to the State of Minnesota to be less than \$625,000,000 on or after the Issue Date, and \$650,000,000 on or after June 30, 2020, and thereafter until no Series 2020 Bonds are Outstanding. The failure of the Issuer to comply with this covenant will not constitute an Event of Default unless the Issuer has withdrawn moneys from the Loan Capital Fund for a purpose other than (i) paying Program Expenses, (ii) paying expenses related to the administration of student loans made by the Issuer, (iii) originating loans under the Student Loan Program or (iv) repurchasing defaulted student loans held under an indenture to which the Issuer is a party.

Amounts credited to the Loan Capital Fund may be used to (i) make loans under the Student Loan Program; (ii) repurchase defaulted student loans from the trust estate of any indenture to which the Issuer is a party and under which bonds of the Issuer are outstanding; (iii) to pay Program Expenses; (iv) to pay expenses related to the administration of its outstanding bonds and of student loans under the Student Loan Program; and (v) any other purpose authorized under Section 136A.1785 of the Act.

Student Loan Requirements. The Issuer represents, warrants and covenants that all Student Loans Financed or Originated from amounts deposited to the Series 2020 Account of the Student Loan Fund or related recycled proceeds meet or will meet the following criteria:

- (a) At the time of Origination, the SELF V Borrower is either enrolled in an Eligible Institution in the State or a State resident enrolled in an Eligible Institution.

(b) At the time of Origination, the SELF V Borrower (i) is enrolled as no less than a Half-time Student in a program leading to a certificate, associate, baccalaureate, master, doctorate or other professional degree, (ii) is making satisfactory progress in an approved course of study, (iii) is not currently in default under any SELF Loan, (iv) is not delinquent in the payment of principal or interest on any SELF Loan, (v) has agreed to the release of information to a consumer credit reporting agency and (vi) has a Cosigner.

(c) The interest rate on the Student Loan is fixed at not less than 5.25%.

(d) The maximum principal amount of a Student Loan to a student enrolled in a bachelor's degree program, postbaccalaureate or graduate program is \$20,000 per Grade Level. For all other Student Loans, other than Student Loans financing Short-term Programs, the principal amount of a Student Loan does not exceed \$7,500 per Grade Level. For Student Loans financing Short-term Programs, the principal amount of a Student Loan does not exceed \$3,500. The total principal amount of a Student Loan does not exceed the cost of attendance as determined by the Eligible Institution, less all other financial aid the student is anticipated to receive, including loans to students or parents under the federal PLUS program or other similar parent loans borrowed on a student's behalf.

(e) (i) The aggregate principal amount of all Student Loans to a student as an undergraduate, postbaccalaureate and graduate student does not exceed \$140,000; subject to the following cumulative borrowing maximums for students enrolled in a bachelor's degree, graduate or postbaccalaureate program: (A) Grade Level 1 - \$20,000; (B) Grade Level 2 - \$40,000; (C) Grade Level 3 - \$60,000; (D) Grade Level 4 - \$80,000; (E) Grade Level 5 - \$100,000; and (F) Grade Levels 6 through 9 - \$140,000.

(ii) For all other eligible students, the cumulative borrowing maximums are, subject to reduction by the Issuer: (A) Grade Level 1 - \$7,500; (B) Grade Level 2 - \$15,000; (C) Grade Level 3 - \$22,500; and (D) Short-term Programs - \$7,500.

(f) The Student Loan is Originated under SELF V. The quarterly interest payments begin within three months of disbursement of the Student Loan, monthly interest payments are required for 12 months after the SELF V Borrower ceases to be enrolled as at least a Half-time Student or leaves school, unless the SELF V Borrower has already entered repayment. Student Loans Originated are required to enter repayment no later than nine years after the first disbursement date on the loan. If the aggregate principal loan balances from all SELF Loans are less than \$20,000, the repayment period for Student Loans may not exceed 10 years from the date the SELF V Borrower ceases to be enrolled as at least a Half-time Student; if the balances are at least \$20,000 but less than \$40,000, the repayment period for Student Loans may not exceed 15 years from the date the SELF V Borrower ceases to be enrolled as at least a Half-time Student; and if the balances are \$40,000 or greater, the repayment period for Student Loans Originated may not exceed 20 years from the date the SELF V Borrower ceases to be enrolled as at least a Half-time Student. An additional 24-month period of interest-only payments after the standard 12-month grace period is available upon request, subject to the same maximum repayment terms described above.

(g) The following conditions apply solely to Pre-funded Loans and Loans Originated from moneys on deposit in the 2020 Account in the Surplus Fund (recycled proceeds):

(i) not more than 2% may consist of Student Loans to SELF V Borrowers attending Proprietary Schools, the Cosigner of which has a FICO Score of less than 670 (including Cosigners with no FICO Score);

(ii) not more than 5% may consist of Student Loans to SELF V Borrowers attending Proprietary Schools;

(iii) not more than 1% may consist of Student Loans to SELF V Borrowers, the Cosigner of which has no FICO Score;

(iv) not more than 17% may consist of Student Loans to SELF V Borrowers attending Non-Proprietary Schools, the Cosigner of which has a FICO Score of less than 670; and

(v) at least 40% must consist of Student Loans to SELF V Borrowers attending Non-Proprietary Schools, the Cosigner of which has a FICO Score of at least 740.

Compliance with the concentration limits listed in clauses (i) through (v) of paragraph (g) above will be tested at the end of the Loan Origination Period using the following calculation: the sum of the Original Principal Balance of Pre-funded Loans Originated within each applicable category at the end of the Loan Origination Period, divided by the aggregate Original Principal Balance of Pre-funded Loans outstanding at the end of the Loan Origination Period.

Payment notices are sent to each SELF V Borrower at least 20 days prior to the payment due date. If payment is not received on the due date it is considered late, and late notices are sent beginning on the 16th day of delinquency. Payment demands upon the Cosigner begin on the 30th day of delinquency, and the loan is considered in default on the 165th day of delinquency.

A forbearance may be granted in those instances when the SELF V Borrower and Cosigner experience hardship in making payments of principal and/or interest. A forbearance is granted upon receipt by the Issuer of a request signed by the Borrower and Cosigner, if there is a Cosigner. A forbearance is limited to eight months over the life of the loan.

The foregoing criteria may be changed if the Issuer has satisfied the requirements of an Event Notification with respect thereto.

Prohibited Uses. The Issuer covenants and agrees that no portion of the Gross Proceeds of the Series 2020 Bonds will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

Payment of Costs of Issuance; Two Percent Limit on Costs of Issuance. Upon receipt by the Trustee of an Issuer Order to do so, the Trustee is required to pay the Costs of Issuance designated in the Issuer Order from amounts deposited by the Issuer therefor in the Series 2020 Account of the Acquisition Fund. The Issuer covenants and agrees that Costs of Issuance paid with proceeds of the Series 2020 Bonds will not exceed two percent of the proceeds of the Series 2020 Bonds.

Form 8038. The Issuer covenants and agrees that not later than the 15th day of the second month following the end of the calendar quarter in which the Issue Date for the Series 2020 Bonds occurs, the Issuer will complete, execute and deliver or cause to be completed, executed and delivered to the Internal Revenue Service Form 8038, or such other form as the Commissioner of Internal Revenue may prescribe, setting forth such information as such form requires with respect to the Series 2020 Bonds.

Yield Restriction. The Issuer covenants and agrees that except as otherwise provided in the Tax Certificate delivered upon issuance of the Series 2020 Bonds, or as otherwise permitted upon delivery of an Opinion of Bond Counsel to the effect that such investment will not cause interest on the Series 2020 Bonds to be included in the gross income of the Owner for federal income tax purposes, the Issuer may not, at any time prior to the final Stated Maturity of the Series 2020 Bonds, directly or indirectly invest Gross Proceeds of the Series 2020 Bonds in any Investment (or use Gross Proceeds of the Series 2020 Bonds to replace money so invested), if, as a result of such investment, the Yield, from the Issue Date of such Series 2020 Bonds of all Investments acquired with Gross Proceeds of the Series 2020 Bonds (or with money replaced thereby) whether then held or previously disposed of, exceeds the Yield of the Series 2020 Bonds.

Federal Guarantee. The Issuer covenants that it will neither (a) use any Gross Proceeds of the Series 2020 Bonds (i) to make loans which are guaranteed in whole or in part by the United States of America or any agency or instrumentality thereof, including any entity with statutory authority to borrow from the United States of America, or (ii) to invest in any deposit or account in a financial institution to the extent such deposit or account is insured under federal law by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or any similar federally-chartered corporation, nor (b) otherwise permit payment of principal of or interest on the Series 2020 Bonds to be directly or indirectly guaranteed in whole or in part by the United States of America or any agency or instrumentality thereof, including any entity with statutory authority to borrow from the United States of America (e.g., by the investment of amounts held for the credit of any fund created under the Indenture in federally-guaranteed or federally-insured obligations).

For purposes of the preceding paragraph, “guaranteed in whole or in part by the United States of America or any agency or instrumentality thereof, including any entity with statutory authority to borrow from the United States of America” does not mean or refer to any investment of the proceeds of the Series 2020 Bonds: (a) during the initial six-month Temporary Period applicable to the Acquisition Fund, (b) during the 13-month Temporary Period applicable to Bona Fide Debt Service Fund investments, if any, (c) as part of a reserve which meets the requirements of a Reasonably Required Reserve or Replacement Fund, (d) in obligations issued by the United States Department of the Treasury, or (e) in any other investments permitted by the Code. The foregoing does not apply to any guaranty by the Federal Housing Administration, the Veterans Administration, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association.

Prohibited Payments. The Issuer covenants that it will not, at any time prior to the final maturity of the Series 2020 Bonds, enter into any transaction that reduces the amount required to be paid to the United States Treasury because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm’s length and had the Yield of the Series 2020 Bonds not been relevant to either party. Notwithstanding the foregoing limitation, however, the Issuer may purchase directly from the United States Treasury any obligation of the United States Treasury at any price, including obligations of the State and Local Government Series.

Expenditure Expectation. The Issuer covenants that it will not invest more than 50% of Gross Proceeds of the Series 2020 Bonds in Nonpurpose Investments having a substantially guaranteed Yield for a period of four years or more.

Preservation of Tax-exempt Status of Series 2020 Bonds. The Issuer is required to maintain the Series 2020 Bonds as Tax-exempt Bonds, including refraining from taking or joining in any act or action which might result in the loss of status of the Series 2020 Bonds as Tax-exempt Bonds.

Borrower Benefits. The Issuer may provide a reduced interest rate to any Borrower which is consistent with the definition of “Borrower Benefits.”

Rating Agency Notifications. The Issuer is required to provide a written notice to the Rating Agency rating the Series 2020 Bonds in the event of each of the following, promptly following the occurrence thereof: (i) substitution or replacement of any Indenture Agent; (ii) any Supplemental Indenture (other than the Second Supplement) or other amendment to the General Indenture or any Supplemental Indenture; (iii) acceleration of the Series 2020 Bonds; (iv) redemption or defeasance of all Outstanding Series 2020 Bonds; (v) a change in the Act; (vi) a change in the Servicer; (vii) any amendment to the Servicing Agreement; (viii) an amendment to any of the Issuer Documents, other than the assignment of additional Student Loans under the Assignment; (ix) appointment of a Subservicer; (x) an Event of Default, including an event of default under the Servicing Agreement and any of the other Issuer Documents; (xi) the issuance of a Series under the General Indenture, other than the Series 2020 Bonds; (xii) a change in Student Loan requirements described under the caption “*Student Loan Requirements*” above; (xiii) a change in the laws of the State of which the Issuer has knowledge which would allow the Issuer to declare bankruptcy under Chapter 9 of the United States Bankruptcy Code; and (xiv) any other event for which the Rating Agency rating the Series 2020 Bonds has reasonably requested notice in order to maintain the rating on the Series 2020 Bonds.

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APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

The following information concerning DTC and DTC's book-entry-system has been obtained from information made publicly available by DTC and has not been independently verified by any of the Issuer, the Underwriters, their respective counsel or Bond Counsel. The inclusion of such information is not intended, and should not be construed, as a representation by any such person as to its accuracy or completeness. All statements in this Official Statement addressing the method of allocating payment of interest among Bonds of the same maturity and (if applicable) interest rate, are subject to DTC procedures at the time of payment. Direct Participants and Indirect Participants may impose service charges on book-entry interest owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2020 Bond certificate will be issued for each maturity (and interest rate, if applicable) of the Series 2020 Bonds in the aggregate principal amount of such maturity, as set forth on the inside cover page hereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive

certificates representing their ownership interests in Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2020 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the Record Date (identified in a listing attached to the omnibus proxy).

Principal, interest and any redemption payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and any redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2020 Bonds. In that event, Series 2020 Bond certificates will be printed and delivered.

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APPENDIX D

FORM OF BOND COUNSEL OPINION

March __, 2020

\$57,690,000

**Minnesota Office of Higher Education
Supplemental Student Loan Program Revenue Bonds
2020 Senior Series**

We have acted as Bond Counsel to the Office of Higher Education, a/k/a the Minnesota Office of Higher Education (the “Issuer”), an agency of the State of Minnesota (the “State”), in connection with the issuance by the Issuer on the date hereof of \$57,690,000 aggregate principal amount of its Supplemental Student Loan Program Revenue Bonds, 2020 Senior Series (the “Series 2020 Bonds”).

The Series 2020 Bonds have been authorized and issued pursuant to (i) Section 136A.15 through 136A.1787 of the Minnesota Statutes, as amended (the “Authorizing Act”), (ii) the General Indenture, dated as of November 1, 2018 (as previously amended and supplemented, the “General Indenture”), by and between the Issuer and U.S. Bank National Association, a national banking association, as trustee (the “Trustee”), as further amended and supplemented by the Second Supplemental Indenture, dated as of March 1, 2020 (the “Second Supplemental Indenture” and, together with the General Indenture, the “Indenture”), by and between the Issuer and the Trustee and (iii) an authorizing resolution adopted by the Issuer (the “Resolution”). The Indenture provides that the Series 2020 Bonds are to be issued to provide funds to current refund the Issuer’s Adjustable Rate Supplemental Student Loan Program Revenue Bonds, 2012 Series B-2 (AMT) and thereby obtain funds to (a) finance Student Loans and (b) fund the Debt Service Reserve Requirement. The Series 2020 Bonds are issued on a parity with the Issuer’s Supplemental Student Loan Program Revenue Bonds, 2018 Senior Series. Any capitalized term used herein and not defined herein shall have the same meaning ascribed thereto in the Indenture unless the context shall clearly otherwise require.

The Series 2020 Bonds are dated, mature on the dates and in the principal amounts, bear interest at the rates, are payable and are subject to redemption as provided in the Indenture.

In our capacity as Bond Counsel, we have examined the Indenture; a certified transcript of proceedings relating to the authorization, sale, issuance and delivery of the Series 2020 Bonds, including the Resolution; the opinions of the Attorney General of the State; certificates of public officials; and such other documents and instruments as we have deemed necessary for the purpose of rendering this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings, including the representations therein, and other certifications of officials furnished to us, without undertaking to verify the same by independent investigation. We have also examined the Authorizing Act and such other statutes, regulations and law as we have deemed necessary under the circumstances.

Based upon the foregoing, and on laws, regulations, rulings and judicial decisions existing as of the date hereof, we are of the opinion that:

1. The Issuer is duly organized and existing as an agency and instrumentality of the State, with full power and authority to issue the Series 2020 Bonds and execute and deliver the Indenture.

2. The Indenture has been duly authorized, executed, and delivered by the Issuer and constitutes the valid and binding obligation of the Issuer enforceable in accordance with its terms. The Indenture creates a valid pledge, to secure payment of the principal of and interest on the Series 2020 Bonds, of the Trust Estate, which is subject to provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2020 Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special, limited obligations of the Issuer, payable solely from the Trust Estate, and entitled to the protections, benefits and security of the Indenture. The Series 2020 Bonds do not represent or constitute a debt or pledge of the faith and credit of the State or any agency or political subdivision thereof (except the Issuer, to the extent provided in the Indenture), or grant to the owners or holders thereof any right to have the State levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon. The Series 2020 Bonds are payable solely from the rentals, revenues, and other income, charges, and moneys as are pledged for their payment in accordance with the Indenture. The Issuer has no taxing power.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2020 Bonds (including any original issue discount properly allocable to the owner of a Series 2020 Bond) is excludable from gross income for federal income tax purposes. The opinion set forth in the preceding sentence assumes the accuracy of certain representations and continuing compliance by the Issuer with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Series 2020 Bonds. Failure to comply with such requirements could cause interest on the Series 2020 Bonds to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinion retroactive to the date of issuance of the Series 2020 Bonds. The Issuer has covenanted to comply with such requirements. We are also of the opinion that interest on the Series 2020 Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. We express no opinion regarding other federal tax consequences arising with respect to the Series 2020 Bonds.

The accrual or receipt of interest on the Series 2020 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2020 Bonds. The extent of these other tax consequences will depend upon such owners' particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

5. Under existing laws of the State, to the extent interest on the Series 2020 Bonds is excludable from gross income for federal income tax purposes, such interest is excludable in computing both gross income and net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions) and is a specific preference item for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts.

Our opinions in paragraphs 2 and 3 above are qualified to the extent that (a) the enforceability of the Series 2020 Bonds and the Indenture and the rights of the registered owners of the Series 2020 Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted, (b) the enforceability thereof may be limited by the application of general principles of equity and (c) the enforcement of such rights may also be subject to the exercise of judicial discretion in appropriate cases.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. The opinions expressed herein are based on existing law as of the date hereof and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters.

Very truly yours,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of March 1, 2020 (this “Disclosure Agreement”), is executed and delivered by the Office of Higher Education (the “Minnesota Office of Higher Education” or the “Issuer”) and U.S. Bank National Association (the “Dissemination Agent”) in connection with the issuance of \$57,690,000 Minnesota Office of Higher Education Supplemental Student Loan Program Revenue Bonds, 2020 Senior Series (the “Series 2020 Bonds”). The Series 2020 Bonds are being issued pursuant to a General Indenture, dated as of November 1, 2018 (the “General Indenture”), between the Issuer and U.S. Bank National Association, trustee (the “Trustee”), as supplemented by the Second Supplemental Indenture, dated as of March 1, 2020 (the “Second Supplement”), between the Issuer and the Trustee (the General Indenture, as further amended and supplemented by the Second Supplement, is herein referred to as the “Indenture”).

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement constitutes the written undertaking of the Issuer, for the benefit of the Owners (including any Beneficial Owners thereof when the Series 2020 Bonds are held in the book-entry system) to the extent stated herein and required by the Rule (defined below) thereby providing for the public availability of certain information relating to the Series 2020 Bonds and the security therefor and to permit participating underwriters in the primary offering of the Series 2020 Bonds to comply with the Rule, which will enhance the marketability of the Series 2020 Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” comprises the following (subject to modification as provided in Section 3 hereof):

(a) a complete audit report and opinion of an Accountant and the financial statements of the Issuer for each Fiscal Year, containing balance sheets and a statement of operations, changes in fund balance and cash flows as of the end of such Fiscal Year and showing in comparative form such figures for the preceding Fiscal Year of the Issuer, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Issuer, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by an Authorized Representative of the Issuer, to the best of his or her knowledge; and

(b) to the extent not included in the financial statements referred to in clause (a) hereof, the information for such Fiscal Year or the period most recently available of the type identified below, which information may be unaudited, but shall be certified as to accuracy and completeness by an Authorized Representative of the Issuer to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third-party sources, in the following general categories:

(i) information regarding the principal amount of outstanding bonds of the Issuer as of the end of the most recent Fiscal Year, the operating budget of the Issuer for the current Fiscal Year and the Loan Capital Fund for the most recent Fiscal Year, of the type contained under the caption “MINNESOTA OFFICE OF HIGHER EDUCATION—Financial Information” in the Official Statement;

(ii) operating data regarding SELF Loans of the type contained under the caption “STUDENT LOAN PROGRAM” in the Official Statement; and

(iii) operating data regarding Student Loans of the type contained under the caption “THE STUDENT LOANS” in the Official Statement.

“*Beneficial Owners*” means any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Series 2020 Bonds (including persons or entities holding Series 2020 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2020 Bonds for federal income tax purposes.

“*Disclosure Representative*” means the Chief Financial Officer of the Issuer, or such other person as the Commissioner of the Issuer shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” means the Dissemination Agent, if any, designated in writing by the Issuer pursuant to the terms hereof. Initially, U.S. Bank National Association shall act as the Dissemination Agent.

“*Financial Obligation*” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of an obligation described in either clause (a) or (b); provided, that the term “financial obligation” shall not include municipal securities as to which a final official statement has been filed with the MSRB consistent with the Rule.

“*Listed Event*” means any of the following events with respect to the Series 2020 Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Series 2020 Bonds;
- (g) modifications to rights of Owners, if material;
- (h) bond calls, if material;
- (i) tender offers;

- (j) defeasances;
- (k) release, substitution, or sale of property securing repayment of the Series 2020 Bonds, if material;
- (l) rating changes;
- (m) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (n) the consummation of a merger, consolidation, or acquisition involving the obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (o) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (p) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, property rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (q) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

For the purposes of the event identified in clause (m) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under federal or state law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

“*Listed Event Notice*” means written or electronic notice of a Listed Event prepared in accordance with applicable federal securities laws.

“*MSRB*” means the Municipal Securities Rulemaking Board or any successors to its functions in connection with the Rule. The current address of the MSRB is Suite 600, 1900 Duke Street, Alexandria, Virginia 22314.

“*National Repository*” means the Electronic Municipal Market Access System (“EMMA”) operated by the MSRB as a National Repository for continuing disclosure under the Rule, or any other repository authorized by the Rule.

“*Official Statement*” means the Official Statement dated February 13, 2020 delivered in connection with the original issue and sale of the Series 2020 Bonds.

“*Owner*” means the registered owner or owners of a Series 2020 Bond appearing in the registration books maintained by the Registrar or any Beneficial Owner thereof, if the Beneficial Owner provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee.

“*Report Date*” means the day occurring not later than 155 days after the end of the Issuer’s then current Fiscal Year, commencing with the Fiscal Year ending June 30, 2020.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Submission Date*” means the day occurring five days prior to the Report Date.

“*Underwriter*” shall mean each of the underwriters identified on the front cover of the Official Statement, and any other underwriter of the Series 2020 Bonds required to comply with the Rule in connection with the primary offering of the Series 2020 Bonds for sale.

Section 3. Undertaking To Provide Ongoing Disclosure.

(a) It is the express intention of the Issuer that the Owners (including any Beneficial Owners hereof when the Series 2020 Bonds are in the book-entry system) be a beneficiary of this Disclosure Agreement with the right to enforce this Disclosure Agreement directly against the Issuer to the extent set forth in Section 9 hereof.

(b) The Issuer, as an “obligated person” within the meaning of the Rule, undertakes to provide the following information:

- (i) Annual Financial Information; and
- (ii) Listed Event Notices.

(c) The Issuer shall provide, or shall cause the Dissemination Agent to provide, while any Series 2020 Bonds are Outstanding, Annual Financial Information to each National Repository not later than the Report Date. In addition, by the Submission Date, the Disclosure Representative shall submit the Annual Financial Information to the Dissemination Agent. If a Dissemination Agent has been designated, the Disclosure Representative shall include with each submission of Annual Financial Information to the Dissemination Agent a written representation addressed to the Dissemination Agent to the effect that the Annual Financial Information is the Annual Financial Information required by this Section and that it complies with the applicable requirements of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon such written representation of the Disclosure Representative. The Dissemination Agent’s obligation to deliver the information at the times and with the contents described above shall be limited to the extent the Disclosure Representative has provided such information to the Dissemination Agent as required hereby. The Dissemination Agent shall have no duty or obligation to review such Annual Financial Information. If the Issuer changes its Fiscal Year (thereby changing the Report Date and the Submission Date), the Disclosure Representative shall provide written notice of the change of Fiscal Year and the new Report Date and Submission Date to the Dissemination Agent, if any, and each then existing National Repository; provided, that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

Notwithstanding the foregoing, if the audited financial statements comprising part of the Annual Financial Information are not available by the date specified, the Issuer shall provide, on or before the Report Date and the Submission Date, unaudited financial statements in the format required as part of the Annual Financial Information and, within 10 days after the receipt of the audited financial statements, the Issuer shall provide the audited financial statements.

Any or all of the Annual Financial Information may be incorporated, if it is updated as required hereby, by reference from other documents, including official statements, which have been submitted to each National Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify in the Annual Financial Information each document so incorporated by reference.

If any part of the Annual Financial Information can no longer be generated because the operations of the Issuer have materially changed or been discontinued, such Annual Financial Information need no longer be provided if the Issuer includes in the Annual Financial Information a statement to such effect; provided, however, if such operations have been replaced by other Issuer operations in respect of which data is not included in the Annual Financial Information and the Issuer determines that certain specified data regarding such replacement operations would be material for purposes of the purchase, holding or sale of a Series 2020 Bond within the meaning of applicable federal securities laws, as interpreted at the time, then, from and after such determination, the Annual Financial Information shall include such additional specified data regarding the replacement operations.

If the Annual Financial Information is changed or this Disclosure Agreement is amended as permitted by this subsection (c) or Section 7 hereof, then the Issuer shall include in the next Annual Financial Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(d) If a Listed Event occurs while any Series 2020 Bonds are Outstanding, the Disclosure Representative shall provide, or shall provide to the Dissemination Agent, if any, for dissemination a Listed Event Notice in a timely manner not in excess of 10 business days following the occurrence of the Listed Event, to each then existing National Repository (or the MSRB). Each Listed Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Series 2020 Bonds. The Dissemination Agent shall have no duty to prepare any Listed Event Notice, nor shall the Dissemination Agent be responsible for filing any Listed Event Notice not provided to it by the Issuer or the Disclosure Representative in a timely manner and in a form suitable for filing. The Dissemination Agent shall not be responsible in any manner for the content of any Listed Event Notice prepared by the Issuer or the Disclosure Representative pursuant to this Disclosure Agreement.

(e) The Dissemination Agent shall promptly (but in any event within five Business Days) advise the Disclosure Representative whenever, in the course of performing its duties as Trustee under the Indenture, a Responsible Officer of the Trustee obtains actual knowledge of an occurrence which would require the Issuer to provide a Listed Event Notice pursuant to subsection (d) above; provided that the failure of the Trustee so to advise the Disclosure Representative of such occurrence shall not constitute a breach by the Trustee of any of its duties and responsibilities under the Indenture and shall not excuse or suspend any obligation of the Issuer under subsection (d) above. If in response to a notice under this subsection (e), the Disclosure Representative determines, with respect to an event described in the definition of "Listed Event" which would not be required to be reported if it is determined that such event is not material, that

such event is not material, then the Disclosure Representative shall so notify the Trustee and shall not be required to report the occurrence pursuant to subsection (d) above. The Trustee and the Dissemination Agent shall have no responsibility for determining the materiality of any occurrence which may constitute a Listed Event.

(f) The Disclosure Representative shall provide notice in a timely manner to each then existing National Repository (or the MSRB) of any failure while any Series 2020 Bonds are Outstanding to provide Annual Financial Information on or before the Report Date (for any reason) as provided herein.

(g) The Disclosure Representative may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing 30 days' written notice to the Issuer and the Disclosure Representative. If no Dissemination Agent has been appointed or engaged or if a Dissemination Agent resigns or is otherwise removed and no successor Dissemination Agent is appointed or engaged, the Disclosure Representative shall perform all of the duties and assume all of the obligations of the Dissemination Agent hereunder.

(h) If a Dissemination Agent has been designated, the Dissemination Agent shall:

(i) if the Disclosure Representative provides to the Dissemination Agent information, which information is not designated as a Listed Event Notice, and directs the Dissemination Agent to provide such information to information repositories, provide such information in a timely manner to each then existing National Repository (or the MSRB);

(ii) if by the Submission Date, the Dissemination Agent has not received a copy of the Annual Financial Information, contact the Disclosure Representative to determine if the Issuer is in compliance with subsection (c) above;

(iii) if the Dissemination Agent has not itself provided or received the representation from the Disclosure Representative that it has provided the Annual Financial Information to each then existing National Repository by the Report Date send a notice to each then existing National Repository in substantially the form attached as Exhibit A hereto; and

(iv) if the Annual Financial Information has been disseminated by the Dissemination Agent, file a report with the Disclosure Representative certifying that the Annual Financial Information has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all parties to which it was provided.

(i) The Disclosure Representative shall determine prior to each date for providing the Annual Financial Information or Listed Event Notices, the name and address of each National Repository.

(j) Unless otherwise required by the Rule, the Disclosure Representative and the Dissemination Agent, if any, shall employ such methods of information transmission as shall be required or recommended by the designated recipients of the Annual Financial Information and Listed Event Notices.

(k) Notwithstanding the foregoing:

(i) notice of the occurrence of an event described in clause (a), (h) or (j) of the definition of “Listed Event” shall be given by the Dissemination Agent, if any, to the Disclosure Representative if the Disclosure Representative is not an officer or employee of the Issuer; and such Disclosure Representative shall be responsible for reporting the occurrence of such event pursuant to paragraph (d) above unless the Disclosure Representative gives the Dissemination Agent written notice that it will not disclose such occurrence; and

(ii) notice of events described in clauses (h) and (j) of the definition of “Listed Event” need not be given under this subsection to the Disclosure Representative pursuant to paragraph (i) above any earlier than the notice, if any, of the underlying event is given to the Owners of affected Series 2020 Bonds pursuant to the Indenture.

Section 4. Obligated Persons.

(a) In the event that any person (other than, or in addition to the Issuer) subsequently becomes an obligated person on the Series 2020 Bonds (as defined in the Rule), the Issuer agrees to use its best efforts to cause such person to enter into a written undertaking to comply with the provisions set forth in this Disclosure Agreement.

(b) Any such obligated person (other than the Issuer) reserves the right to terminate its obligation to provide Annual Financial Information, and notices of Listed Events, as set forth above, if and when such person is no longer an obligated person with respect to the Series 2020 Bonds within the meaning of the Rule. The Disclosure Representative will provide notice of any such termination to the Trustee and each then existing National Repository.

(c) If the Issuer’s obligations under the Indenture are assumed in full by some other person or entity, such person or entity shall assume, in a written agreement satisfactory in form and substance to the Trustee (acting at the written direction of the Majority Owners), and be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Issuer and the Issuer shall have no further responsibility hereunder.

Section 5. Termination of Reporting Obligation. The continuing obligation hereunder of the Issuer to provide Annual Financial Information and Listed Event Notices shall terminate immediately once the Series 2020 Bonds are no longer Outstanding.

Section 6. Disclosure Representative. The Commissioner of the Issuer shall, from time to time, appoint or engage a Disclosure Representative to assist the Issuer in carrying out its obligations under this Disclosure Agreement, and may discharge any such Disclosure Representative, upon appointment of a successor Disclosure Representative. If at any time there is not any other designated Disclosure Representative, the Issuer shall perform all the obligations and duties of the Disclosure Representative hereunder.

Section 7. Amendments. This Disclosure Agreement (and the form and requirements of the Annual Financial Information) may not be amended or supplemented except in a writing executed by the parties hereto and with the consent of the Trustee, acting at the written direction of the Majority Owners (which consent shall not be unreasonably withheld or delayed) accompanied by an opinion of counsel expert in federal securities law, who may rely on certificates of the Issuer and others and the opinion may be subject to customary qualifications, to the effect that: (a) such amendment or supplement (i) is made in

connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the Issuer or the type of operations conducted by the Issuer; or (ii) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (b) this Disclosure Agreement as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2020 Bonds, giving effect to any change in circumstances applicable under clause (a)(i) above, assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (c) such amendment or supplement does not materially impair the interests of the Owners under the Rule. This Disclosure Agreement may be amended or supplemented from time to time without notice to or the consent of the Owners (except as otherwise provided in Section 11 hereof).

If the Annual Financial Information is amended pursuant to this Section, the Issuer agrees to provide to each existing National Repository (or the MSRB) contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

Section 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

Section 9. Default. In the event of a failure of the Issuer or the Disclosure Representative, on behalf of the Issuer, to comply with any provision of this Disclosure Agreement, the Dissemination Agent may and, at the written request of an Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2020 Bonds, shall, solely to the extent indemnified to its satisfaction, including attorneys' fees and expenses, or any of the Owners, as third-party beneficiaries hereof, may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer or the Disclosure Representative, on behalf of the Issuer, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Series 2020 Bonds or the Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Disclosure Representative, on behalf of the Issuer, to comply with this Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover any monetary damages hereunder in any circumstance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees and expenses, fees of experts and agents and extraordinary out-of-pocket expenses) of defending against any claim of liability (including the costs of defending any claim to enforce the indemnification obligations of the Issuer hereunder), but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2020 Bonds. In the absence of bad faith on its part, the Dissemination Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Dissemination Agent and conforming to the requirements of this Disclosure Agreement. In the case of any Annual Financial Information disclosure, or any Listed Event disclosure, or any opinion which, by any provision hereof, is specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under a duty to examine the same to determine whether or not it conforms on its face to the

requirements of this Disclosure Agreement as to form only, and shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder. If the Dissemination Agent is other than the Issuer, no provision of this Continuing Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers hereunder; provided, that the Dissemination Agent shall pay such reasonable expenses, disbursements and advances necessary to perform its obligations hereunder, which expenses, disbursements and advances are expected to be reimbursed under Section 12 hereof.

The Dissemination Agent shall be entitled to the same rights, protections and indemnities under this Disclosure Agreement to which the Trustee is entitled under the Indenture.

Section 11. Binding Effect; Owners as Third Party Beneficiaries. This Disclosure Agreement shall inure to the benefit of and shall be binding upon the Issuer and the Dissemination Agent and their respective successors and permitted assigns. In addition, this Disclosure Agreement shall constitute a third-party beneficiary contract for the benefit of the Owners from time to time. Said third-party beneficiaries shall be entitled to enforce performance and observance by the parties of the respective agreements and covenants herein contained as fully and completely as if said third-party beneficiaries were parties hereto; provided that this Disclosure Agreement (other than this Section) may be amended or supplemented from time to time without notice to or the consent of such third-party beneficiaries. Nothing in this Disclosure Agreement, express or implied, shall give to any Person, other than the parties hereto and their respective successors and permitted assigns as provided herein, and the Owners, any benefit or other legal or equitable right, remedy or claim under this Disclosure Agreement.

Section 12. Compensation. The Issuer agrees to compensate the Dissemination Agent, if someone other than the Issuer is appointed, for the services provided and the reasonable expenses incurred pursuant to this Disclosure Agreement, in an amount to be agreed upon from time to time hereunder, and to reimburse the Dissemination Agent upon its request for all reasonable expenses, disbursements and advances incurred by the Dissemination Agent (including any reasonable compensation and expenses of counsel) except any such expense, disbursement or advance that may be attributable to its negligence or willful misconduct.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Governing Law; Construction. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota. This Disclosure Agreement is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

Section 15. Notices. Notices to be given to the Issuer or, if it is the Dissemination Agent hereunder, the Trustee shall be given to them at the addresses and in the manner specified in the Indenture.

Section 16. Representations. Each of the parties hereto represents and warrants to each other party that (a) it has all requisite power and authority to execute, deliver and perform this Disclosure Agreement under applicable law and any resolutions or other actions of such party now in effect; (b) it has duly authorized the execution and delivery of this Disclosure Agreement; (c) the execution and delivery of this Disclosure Agreement and performance of the terms hereof by such party do not and will not violate, in any material respect, any applicable law, regulation, ruling, decision, order, indenture, decree, agreement or instrument to which it is a party or by which it is bound; and (d) to its knowledge, no litigation, proceeding or administrative matter is pending to which it is a party, or overtly threatened, contesting or questioning

the legal existence of such party, its power and authority to enter into and perform this Disclosure Agreement or its due authorization, execution and delivery of this Disclosure Agreement.

The Issuer represents and warrants that it is the only “obligated person” in respect of the Series 2020 Bonds within the meaning of the Rule and that it has complied in all material respects with all undertakings previously entered into by it under the Rule, other than as may be disclosed in the Official Statement.

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By _____
Authorized Officer

MINNESOTA OFFICE OF HIGHER EDUCATION

By _____
Commissioner

EXHIBIT A

**MINNESOTA OFFICE OF HIGHER EDUCATION
SUPPLEMENTAL STUDENT LOAN PROGRAM REVENUE BONDS**

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Minnesota Office of Higher Education

Name of Bond Issue: \$57,690,000 Minnesota Office of Higher Education Supplemental Student Loan
Program Revenue Bonds, 2020 Senior Series

Date of Issuance: March 25, 2020

NOTICE IS HEREBY GIVEN that the Issuer has not provided the Annual Financial Information with respect to the above named Series 2020 Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of March 1, 2020, between the Minnesota Office of Higher Education, as Issuer, and U.S. Bank National Association, as Dissemination Agent. [The Issuer has informed the undersigned that it anticipates that the Annual Financial Information will be filed by _____.]

Dated:

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent, on behalf of the Issuer

By _____
Name _____
Title _____

cc: Disclosure Representative
[if notice is sent by Dissemination Agent]

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APPENDIX F

WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 BONDS MATURING NOVEMBER 1, 2038

No representation is made by the Underwriters or by the Issuer concerning the actual average life of the Series 2020 Bonds maturing November 1, 2038 or the Student Loans and how it compares to the various forward-looking average life estimates herein. The Issuer reserves the right to take actions, as permitted by the Indenture, which may affect the actual realization of any or all of such assumptions. See “INVESTMENT CONSIDERATIONS—Certain Amendments to the Indenture and Other Actions Upon an Event Notification or Consent of Fewer Than All Owners,” “—Sufficiency and Timing of Receipt of Revenues,” “—The Composition and Characteristics of the Student Loans Will Change Over Time” and “—Payment of Student Loans” in the Official Statement.

Prospective purchasers of the Series 2020 Bonds are urged to base their decisions whether to purchase the Series 2020 Bonds maturing November 1, 2038 upon the purchaser’s own determinations about anticipated rates of prepayments with respect to the Student Loans and the estimated weighted average life of the Series 2020 Bonds maturing November 1, 2038. There can be no assurance that actual results will not vary substantially from the assumptions presented in this APPENDIX F.

Prepayments of loans may be measured by a variety of prepayment standards or models. The primary model used herein is the constant prepayment rate and is referred to herein as the “CPR” model. The CPR Model is based on prepayments assumed to occur at a constant percentage rate. CPR represents a constant rate of prepayment on Student Loans each month relative to the then outstanding aggregate principal balance of Student Loans for the life of such Student Loans.

The CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The Student Loans pledged under the Indenture should not be expected to prepay according to the CPR, nor will all of the Student Loans pledged under the Indenture prepay at the same rate.

In addition to prepayments, there are several other factors that may affect the weighted average life of the Series 2020 Bonds maturing November 1, 2038. These factors include, but are not limited to:

- origination criteria and composition of portfolio;
- for Student Loans with in-school principal deferral, the number of months for the loan to move from in-school status to repayment status;
- the percentage of the Student Loans that may enter into 10-year, 15-year and 20-year repayment terms and into grace status or interest only status that are not due to in-school periods, as well as the length of time such loans would remain in such status; and
- the default and rehabilitation rate (and timing thereof) experienced by the Student Loans as well as the recovery rate (and timing thereof) on defaulted loans.

The table below indicates the Weighted Average Life (“WAL”) of the Series 2020 Bonds maturing November 1, 2038, based on the assumption that Student Loans prepay at the respective indicated percentages of CPR (the “CPR Prepayment Assumption Rates”). It is unlikely that all Student Loans will consistently prepay at any of the CPR Prepayment Assumption Rates presented, and the timing of changes in the rate of prepayments actually experienced on Student Loans is unlikely to follow the pattern described for the CPR Prepayment Assumption Rates presented.

The WAL is likely to vary, perhaps significantly, from that set forth in the table below due to the differences between the actual rate of prepayments on Student Loans and the assumptions described herein.

**Estimated Weighted Average Life of Series 2020 Bonds
Maturing November 1, 2038 at Various Percentages of the CPR**

	0% CPR	3% CPR	6% CPR	9% CPR	12% CPR
WAL (years)	11.1	9.8	8.7	7.9	7.3
First Bond Retirement Date	5/1/2021	5/1/2021	5/1/2021	5/1/2021	5/1/2021
Last Bond Retirement Date	5/1/2035	5/1/2034	5/1/2033	11/1/2032	11/1/2031

WAL is influenced by, among other things, the initial parity ratio, cash releases, actual prepayments, bond interest rates, bond redemptions, reinvestment income, Student Loan interest rates and borrower repayment plans, the amount and timing of loans originated, including recycling (if any), borrower delinquencies and defaults and timing of default recoveries, compliance with IRS yield restrictions and the issuance of additional bonds in the future. Actual results may vary from assumptions made in the base case. The following assumptions were used in estimating the WAL of the Series 2020 Bonds maturing November 1, 2038:

1. WAL is computed from the expected date of issuance for the Series 2020 Bonds.
2. The prefunding is utilized as follows: \$58,844,441 of the Student Loans are originated prior to June 30, 2021 with all of the Student Loans being initially in interest-only repayment. Quarterly origination is assumed to be substantially equal during this period.
3. No delinquencies, deferment, forbearance or borrower benefits are assumed.
4. Expenses are assumed to be consistent with the Indenture and current Servicing Agreement.
5. A 6.0% default rate on Student Loans is spread evenly over the first 5 years of repayment with no recoveries during such period. A recovery rate of 60.0% is assumed after a 5-year lag. No loan rehabilitations are assumed.
6. The Issuer releases cash in the amounts and at the times permitted under the Indenture.
7. A reinvestment rate of 2.0%.

See also “THE SERIES 2020 BONDS—Redemption Provisions” and “CERTAIN INVESTMENT CONSIDERATIONS—Early Redemption of Series 2020 Bonds” in the Official Statement.



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