

Supplement No. 1 to Official Statement,  
dated September 5, 2003 (the "Official Statement"),  
relating to

**MINNESOTA HOUSING FINANCE AGENCY**  
**\$25,000,000 Residential Housing Finance Bonds, 2003 Series J (AMT)**

**CUSIP: 60415NMV1**

**ALTERNATE LIQUIDITY FACILITY**

On November 17, 2004, the Minnesota Housing Finance Agency (the "Agency") will enter into a Standby Bond Purchase Agreement (the "Lloyds Standby Bond Purchase Agreement") between the Agency, Wells Fargo Bank, National Association (the "Trustee"), as Trustee, and Lloyds TSB Bank plc, acting through its New York Branch (the "Bank"). Five days following the execution and delivery of the Lloyds Standby Bond Purchase Agreement, the existing Standby Bond Purchase Agreement with respect to the 2003 Series J Bonds will be terminated.

**On November 17, 2004, all of the 2003 Series J Bonds will be subject to mandatory tender for purchase at the Purchase Price equal to 100% of the principal amount thereof plus accrued interest.**

On and after November 18, 2004, payment of the Purchase Price for the 2003 Series J Bonds in the Weekly Mode that are tendered or deemed tendered and not remarketed will be payable from amounts made available under the Lloyds Standby Bond Purchase Agreement.

**LIQUIDITY FACILITY**

The Agency will maintain a Liquidity Facility in effect at all times when any 2003 Series J Bonds are in a Weekly Mode, or other Mode requiring a Liquidity Facility, except as otherwise provided below, in an amount not less than the maximum potential Purchase Price of the outstanding 2003 Series J Bonds in the Weekly Mode or other Mode requiring a Liquidity Facility.

The Agency may elect to replace any Liquidity Facility (including but not limited to the Lloyds Standby Bond Purchase Agreement) with another liquidity facility meeting the requirements of the Series Resolution (an "Alternate Liquidity Facility", and, with the Lloyds Standby Bond Purchase Agreement, a "Liquidity Facility"). The Agency will promptly notify the Trustee, the Remarketing Agent and the Tender Agent of the Agency's intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery. Upon receipt of such notice, the Trustee will mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, to each Bondowner of the 2003 Series J Bonds at such Bondowner's registered address not less than 15 days prior to the date the 2003 Series J Bonds are subject to mandatory tender as herein provided. If the Agency elects to replace the Liquidity Facility, the 2003 Series J Bonds will be subject to mandatory tender not less than 5 days prior to the termination of the existing Liquidity Facility. The Official Statement, as supplemented by this Supplement No. 1, is not intended to apply to the 2003 Series J Bonds when any Liquidity Facility, other than the Lloyds Standby Bond Purchase Agreement, is in place.

The Agency may also elect to provide liquidity support for the 2003 Series J Bonds from its own funds or by delivering a liquidity facility which does not meet the requirements of an Alternate Liquidity Facility. If the Agency makes such an election, the 2003 Series J Bonds will be subject to mandatory tender prior to the expiration of the Liquidity Facility then in effect.

## **SUMMARY OF LLOYDS STANDBY BOND PURCHASE AGREEMENT**

**The following is a summary of the Lloyds Standby Bond Purchase Agreement to be entered into with the Bank in respect of the 2003 Series J Bonds. This summary is qualified by reference to and is subject to the provisions of such document. A copy of the Lloyds Standby Bond Purchase Agreement is on file with the Trustee, the Tender Agent and the Agency.**

### **General**

The Lloyds Standby Bond Purchase Agreement contains various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined in the Official Statement, the Lloyds Standby Bond Purchase Agreement or the resolution of the Agency adopted as amended and restated on August 24, 1995, as further amended and supplemented (the “Bond Resolution”), and a series resolution of the Agency relating to the 2003 Series J Bonds adopted on August 28, 2003, as amended and supplemented on September 23, 2004 (the “Series Resolution;” the Bond Resolution and the Series Resolution are herein sometimes called the “Resolutions”), and reference thereto is made for full understanding of their import.

The Lloyds Standby Bond Purchase Agreement requires the Bank to provide funds for the purchase of 2003 Series J Bonds (other than Fixed Rate Bonds, Indexed Rate Bonds and Auction Bonds) that have been tendered and not remarketed subject to certain conditions described below. The 2003 Series J Bonds held by the Bank shall bear interest at the Bank Rate in accordance with the Lloyds Standby Bond Purchase Agreement.

The obligation of the Bank pursuant to the Lloyds Standby Bond Purchase Agreement to provide funds for the purchase of 2003 Series J Bonds (other than Fixed Rate Bonds, Indexed Rate Bonds and Auction Bonds) that have been tendered and not remarketed shall end on the earliest of (i) November 17, 2011, as such date may be extended from time to time in accordance with the Lloyds Standby Bond Purchase Agreement, (ii) the date on which no Eligible Bonds are Outstanding and (iii) the date on which the Available Commitment and the Bank’s obligation to purchase Eligible Bonds has been terminated in its entirety at the option of the Agency or in connection with the redemption, repayment, defeasance or other payment of all of the 2003 Series J Bonds, the conversion of the 2003 Series J Bonds to bear interest at a Fixed Interest Rate, Indexed Rate or an Auction Rate, the effectiveness of an Alternate Liquidity Facility, or under the circumstances described below under “Events of Default and Remedies.”

Subject to the terms and conditions of the Lloyds Standby Bond Purchase Agreement, the Bank agrees from time to time during the Commitment Period to extend credit to the Agency through the purchase, with its own funds, of Eligible Bonds, at the Purchase Price on a Purchase Date. The aggregate principal amount (or portion thereof in denominations authorized by the Resolutions or any integral multiple thereof) of any Eligible Bond purchased on any Purchase Date shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 10:00 a.m. on such Purchase Date and the portion of the Purchase Price constituting accrued interest on such Eligible Bonds shall not exceed the lesser of (a) the Available Interest Commitment (calculated without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 10:00 a.m. on such Purchase Date and (b) the actual aggregate amount of interest accrued on each such Eligible Bond to but excluding such Purchase Date. Any Eligible Bonds so purchased shall

thereupon constitute Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Rate and have other characteristics of Bank Bonds as set forth in the Lloyds Standby Bond Purchase Agreement, the Bond Resolution, the Series Resolution and the 2003 Series J Bonds.

If, on any Purchase Date during the Purchase Period, the Bank receives not later than 12:00 noon, New York City time, a Notice of Bank Purchase from the Tender Agent, the Bank shall, subject to the conditions set forth in the Lloyds Standby Bond Purchase Agreement, transfer to the Tender Agent not later than 2:00 p.m., New York City time, on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Bonds tendered or deemed tendered for purchase on such date but not remarketed as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank.

The obligation of the Bank to purchase Eligible Bonds on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank: (i) no Event of Default described in paragraph 1(a), 7, 8 or 9 below shall have occurred and be continuing; and (ii) the Bank shall have timely received a Notice of Bank Purchase.

### **Events of Default and Remedies**

The following events constitute Events of Default under the Lloyds Standby Bond Purchase Agreement.

(1) The Agency shall fail to pay when due (a) any principal of, or interest on, any 2003 Series J Bond (including any Bank Bond) or any Parity Obligation or (b) any fees owed to the Bank pursuant to specified sections of the Lloyds Standby Bond Purchase Agreement; or

(2) The Agency shall fail to pay any amount owing under specified sections of the Lloyds Standby Bond Purchase Agreement (other than those referred to in paragraph (1) above) within three (3) Business Days after the same shall become due; or

(3) Any representation or warranty made by or on behalf of the Agency in the Lloyds Standby Bond Purchase Agreement, the Resolutions or in any Related Document or in any certificate or statement delivered under said documents shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(4) The Agency shall default in the due performance or observance of any of the covenants set forth in specified sections of the Lloyds Standby Bond Purchase Agreement; or

(5) The Agency shall materially default in the due performance or observance of any other term, covenant or agreement contained in the Lloyds Standby Bond Purchase Agreement (other than those referred to in paragraphs (1), (2), (3) and (4) above), the Bond Resolution, the Series Resolution or any Related Document and such default shall remain unremedied for a period of thirty (30) days after the Agency shall have received notice thereof; or

(6) One or more final, unappealable judgments against the Agency or the Pledged Property for the payment of money, and not covered by insurance, or attachments against the property of the Agency or the Pledged Property, the operation or result of which, individually or in the aggregate, equal or exceed \$2,500,000 shall remain unpaid, undischarged, unbonded or undismitted for a period of thirty (30) days; or

(7) (a) The Agency shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to the 2003 Series J Bonds or any Parity Obligations, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Pledged Property, or the Agency shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Agency any case, proceeding or other action of a nature referred to in clause (a) above which (i) results in an order for such relief or in the appointment of a receiver or similar official or (ii) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Agency, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Pledged Property, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (d) the Agency shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Agency shall generally not, or shall be unable to, or shall admit in writing, its inability to, pay its debts; or

(8) (a) Any material provision of the Lloyds Standby Bond Purchase Agreement, the Bond Resolution, the Series Resolution, the Act, the 2003 Series J Bonds or any Parity Obligation shall at any time for any reason cease to be valid and binding on, or enforceable against, the Agency as a result of federal or state legislative, executive or administrative action (without regard to when such action shall become effective), or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction over the Agency, to be null and void, invalid or unenforceable; or (b) the State or any other Governmental Authority with jurisdiction over the Agency shall have declared or imposed a debt moratorium, debt adjustment or comparable restriction on repayment of the 2003 Series J Bonds or any Parity Obligation; or (c) any governmental entity with jurisdiction to rule on the validity of the Lloyds Standby Bond Purchase Agreement, the 2003 Series J Bonds, the Act, the Bond Resolution, the Series Resolution or any Parity Obligation shall announce, find or rule that any material provision of the Lloyds Standby Bond Purchase Agreement, the 2003 Series J Bonds, the Act, the Bond Resolution, the Series Resolution, or any Parity Obligation, as the case may be, is not valid or not binding on the Agency; or (d) the State or the Agency (i) makes a claim in a judicial or administrative proceeding that the Agency has no further liability or obligation under the Lloyds Standby Bond Purchase Agreement, the 2003 Series J Bonds, the Act, the Bond Resolution, the Series Resolution or any Parity Obligation or (ii) contests in a judicial or administrative proceeding the validity or enforceability of any material provision of the Lloyds Standby Bond Purchase Agreement, the 2003 Series J Bonds, the Act, the Bond Resolution, the Series Resolution or any Parity Obligation relating to or otherwise affecting the Agency's obligation to pay the principal of or interest on any 2003 Series J Bonds (including any Bank Bonds) or such Parity Obligations; or

(9) S&P and Moody's shall have (a) assigned the 2003 Series J Bonds or any Parity Obligations a long-term rating below "BBB-", in the case of S&P, and "Baa3", in the case of Moody's, (b) withdrawn their long-term ratings of the 2003 Series J Bonds or any Parity Obligations for credit-related reasons and not as a result of debt maturity, redemption or defeasance or (c) suspended their long-term ratings of the 2003 Series J Bonds or any Parity Obligations for credit-related reasons and not as a result of debt maturity, redemption or defeasance; provided, however, that any downgrade, withdrawal or suspension described in any of the foregoing provisions shall not be deemed an Event of Default if said downgrade, withdrawal or suspension, as the case may be, shall be attributable to the downgrade, withdrawal or

suspension of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a person other than the Agency; or

(10) Any “event of default” as described in the Official Statement in “Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Events of Default” which is not cured within any applicable cure period shall occur which, if not cured, would give rise to remedies available thereunder.

Following the occurrence of certain of the above referenced Events of Default, the Bank may take any one or more of the following actions, among others. Reference is made to the Lloyds Standby Bond Purchase Agreement for a complete listing of all consequences of Events of Defaults.

(a) In the case of any Event of Default specified in paragraph 1(a), 7, 8(a), 8(b) or 9 above (each, a “Special Event of Default”), the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank to purchase Eligible Bonds pursuant to the Lloyds Standby Bond Purchase Agreement shall immediately terminate and expire without requirement of notice by the Bank. After such termination or expiration, the Bank shall deliver, within two (2) Business Days, to the Agency, the Trustee, the Tender Agent and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

(b) In the case of an Event of Default as specified in paragraph 8(c) or 8(d) above (each, a “Suspension Event”), the obligation of the Bank to purchase Eligible Bonds under the Lloyds Standby Bond Purchase Agreement shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Bank shall notify the Agency, the Trustee, the Tender Agent and the Remarketing Agent of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Bonds pursuant to the Lloyds Standby Bond Purchase Agreement. Upon the occurrence of a Suspension Event described in paragraph 8(c) or 8(d), if a court with jurisdiction to rule on such an Event of Default shall enter a final and nonappealable judgment that any of the material provisions of the Act or any other document described in paragraph 8(c) are not valid or not binding on the Agency or that a claim or contest described in paragraph 8(d) shall have been upheld in favor of the State or the Agency in accordance with a final and nonappealable judgment, then, in each such case, the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on such an Event of Default shall find or rule by entry of a final and nonappealable judgment that the material provision of the Act or any other document described in paragraph 8(c) is valid and binding on the Agency or that the claim or contest described in paragraph 8(d) shall have been dismissed pursuant to a final and nonappealable judgment, then the Available Commitment and the obligations of the Bank under the Lloyds Standby Bond Purchase Agreement shall, in each such case, thereupon be reinstated (unless the Commitment Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the Lloyds Standby Bond Purchase Agreement). Notwithstanding the foregoing, if three (3) years after the effective date of the suspension of the obligations of the Bank pursuant to any Event of Default described in paragraph 8(c) or 8(d), litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and non-appealable judgment, as the case may be, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall at such time terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. In the case of

each Suspension Event, the Tender Agent shall immediately notify all Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the Bank to purchase Eligible Bonds.

(c) Upon the occurrence of any Event of Default, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following: (i) declare all obligations of the Agency to the Bank under the Lloyds Standby Bond Purchase Agreement to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are expressly waived; (ii) the Bank may give written notice of such Event of Default and termination of the Agreement (a “Notice of Termination Date”) to the Trustee, the Tender Agent, the Agency and the Remarketing Agent requesting a Default Tender; provided, that the obligation of the Bank to purchase Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Available Commitment shall terminate and the Bank shall be under no obligation to purchase Bonds; (iii) require immediate purchase of Bank Bonds by the Agency; (iv) exercise any right or remedy available to it under any other provision of the Lloyds Standby Bond Purchase Agreement; or (v) exercise any other rights or remedies available under the Bond Resolution, the Series Resolution and any Related Document, any other agreement or at law or in equity; provided, further, however, the Bank shall not have the right to terminate its obligation to purchase Bonds except as described herein.

## **THE LLOYDS TSB BANK GROUP**

**The information in the following section concerning the Lloyds TSB Bank Group has been provided by the Lloyds TSB Bank Group for inclusion herein and has not been independently verified by the Agency or the Remarketing Agent.**

Lloyds TSB Bank plc (the “Bank”) is a wholly-owned subsidiary of Lloyds TSB Group plc (“LTSB Group”). The Bank and its subsidiaries (the “Bank’s Group”) comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a -wide range of banking and financial services in the United Kingdom and overseas.

At the end of 2003, total consolidated assets of LTSB Group were approximately £252 billion. The total number of persons employed by LTSB Group and its subsidiaries was approximately 72,000.

The main business activities of the Bank’s Group during 2003 are described below:

### **UK Retail Banking and Mortgages**

UK Retail Banking and Mortgages provides banking and other financial services, private banking, stockbroking and mortgages to 15 million personal customers in England, Scotland and Wales.

### **Insurance and Investments**

Insurance and Investments offers life assurance, pensions, and investment products, general insurance and fund management services in the United Kingdom.

### **Wholesale and International Banking**

The Bank's Group's relationships with major United Kingdom and multinational companies, banks and institutions and small and medium-sized United Kingdom businesses, together with its activities in financial markets, are managed through dedicated offices in the United Kingdom and a number of locations overseas, including New York and Tokyo.

The Bank's Group provides banking, investment and other financial services overseas in two main areas: (i) The Americas (including the international bank agency of the Bank in Miami, Florida) and (ii) Europe and Offshore Banking. During 2003, the LTSB Group disposed of substantially all of its operations in New Zealand, Brazil and France.\*

### **Availability of Public Information**

The Bank will provide, upon request, to each person to whom this Official Statement is delivered a copy of (i) the most recently available annual Report and Accounts of LTSB Group for the fiscal year ended December 31, 2003 (ii) -Annual Report on Form 20F of LTSB Group for the fiscal year ended December 31, 2003. Written requests should be directed to the Bank at 1251 Avenue of the Americas, 39<sup>th</sup> Floor, New York, New York -10020; Attention: Structured Finance. Additional information (including a full copy of such Report and Accounts) is available from the LTSB Group web site at [www.lloydstsb.com/investorrelations](http://www.lloydstsb.com/investorrelations).

### **FINANCIAL STATEMENTS OF THE AGENCY**

The financial statements of the Agency as of and for the fiscal year ended June 30, 2004 and the quarterly Residential Housing Finance Bond Resolution Disclosure Report dated as of June 30, 2004 are available at the Agency's website at [http://www.mhfa.state.mn.us/investor/investor\\_home.htm](http://www.mhfa.state.mn.us/investor/investor_home.htm).

The date of this Supplement No. 1 is November 1, 2004.

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\* On July 19, 2004, LTSB Group announced the sale of its businesses in Argentina and Colombia, continuing the process reflected in the sale of LTSB Group operations in New Zealand, Brazil and France during 2003. In Argentina, the Bank agreed to sell the business of its branch in Argentina to Banco Patagonia Sudameris S.A. In Colombia, LTSB Group agreed to sell its principal businesses, comprised of its interests in Lloyds TSB Bank S.A. and in Lloyds Trust S.A., to Primer Banco del Istmo, S.A. Both sales are expected to be completed during the 2<sup>nd</sup> half of 2004.