

OFFICIAL STATEMENT DATED JUNE 10, 1993

NEW ISSUE

Not Rated

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "Tax Exemption.")

\$2,000,000

**Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Three-O
(William Mitchell College of Law)**

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date.

The Bonds will be issuable as fully registered Bonds in any denomination which is an integral multiple of \$100,000 during the Variable Rate Period. Principal of the Bonds will be payable at the principal corporate trust office of Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, the Trustee under an Indenture described herein.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of William Mitchell College of Law, St. Paul, Minnesota.

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA NOR CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

The Bonds will bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including June 30, 1993. Thereafter, prior to the Conversion Date, the Bonds will bear interest at the Variable Rate, which may not exceed 15% per annum, payable on August 5, 1993, and on the first Thursday of each month thereafter. At the option of the Authority and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, owners of the Bonds have the right to elect to have their Bonds purchased by the College by presentation of the Bonds to Norwest Bank Minnesota, National Association (the "Tender Agent") upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is Norwest Investment Services, Inc.

BONDHOLDERS SHALL BE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS (UNLESS THE MANDATORY TENDER DATE IS AN INTEREST PAYMENT DATE) ACCRUED INTEREST THEREON, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date is a proposed Conversion Date. Any Bond to be purchased which is not timely delivered to the Tender Agent on a Mandatory Tender Date and as to which there has been irrevocably deposited with the Tender Agent or the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall cease to accrue interest on such Mandatory Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain matters will be passed upon the College by its counsel, Briggs and Morgan, P.A., St. Paul, Minnesota. It is expected that the Bonds will be available for delivery in Minneapolis, Minnesota on or about June 24, 1993.



For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority.

The Official Statement, when further supplemented by an addendum or addenda, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative or other person has been authorized by the Authority, the College, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College, or the Underwriter. The information contained herein, except as it relates to the Authority, has been obtained from the College and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the College since the date hereof.

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

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

The Bonds have not been rated by any rating agency. Consequently, with respect to Minnesota residents, the Bonds are hereby offered to and may be purchased only by persons having a minimum annual gross income of \$30,000 and a net worth of \$30,000 or in the alternative, a net worth of \$75,000. Net worth is determined exclusive of home, home furnishings and automobiles.

The Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Certain of the parties involved in this financing have agreed to indemnify certain other parties for any untrue statement of a material fact contained in this Official Statement or any omission to state a material fact necessary to be stated in this Official Statement in order to make the statements contained herein not misleading.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Carol A. Blomberg, Chair	Personal Banker, Norwest Bank Minnesota, Mesabi, National Association, Hibbing, Minnesota.
Kathryn Balstad Brewer, Vice Chair	Student, New Brighton, Minnesota.
Jack Amundson, Secretary	Partner, McMahon, Hartmann, Amundson & Co., Saint Cloud, Minnesota.
Earl R. Herring	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
John S. Hoyt, Jr.	CEO, Effective Golf Course Systems, Inc., Edina, Minnesota
Fred Hsiao	President, Shaw/Lundquist Associates, Saint Paul, Minnesota.
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
James R. Miller	Owner and CEO, Rollin & Associates, Inc., St. Paul, Minnesota
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota.
Mollie N. Thibodeau	Fund Raising Consultant, Duluth, Minnesota

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

\$2,000,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY VARIABLE RATE DEMAND REVENUE BONDS, SERIES THREE-O (WILLIAM MITCHELL COLLEGE OF LAW)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and William Mitchell College of Law (the "College"), an institution of higher education located in St. Paul, Minnesota, in connection with the issuance of the Authority's \$2,000,000 Variable Rate Demand Revenue Bonds, Series Three-O (William Mitchell College of Law), (the "Bonds," the "Series Three-O Bonds" or the "Issue").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, as amended, by the provisions of which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects.

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

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on or Purchase Price of the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College to be used together with available College funds to redeem the outstanding principal of the Authority's \$4,250,000 Mortgage Revenue Bonds, Series Two-R (William Mitchell College of Law) (the "Series Two-R Bonds"), on August 1, 1993. The Series Two-R bonds were originally issued to finance the construction of the Warren E. Burger Library on the College's campus at 875 Summit Avenue, St. Paul, Minnesota (the "Project").

The Bonds are secured by a pledge of the Loan Repayments and a mortgage on and security interest in the land and buildings, personal property and fixtures of the College comprising its campus and by the Security Agreement granting a security interest in certain current fund drive receipts and general revenues of the College. The Loan Repayments are a general obligation of the College, which are expected to be paid primarily from certain revenues and contributions, including Contributions and Pledge Receipts of the fund drive for the Warren E. Burger Library.

The Reserve Account will be funded in the amount of \$35,000 from proceeds of the Bonds. (See "Reserve Account," page 12.)

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

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

RISK FACTORS

No person should purchase Bonds without carefully reviewing the following information which sets forth some, but not all, of the factors which may affect the Owners' receipt of payments of the principal of, premium, if any, interest on, or the Purchase Price of the Bonds.

Liquidity Risk

NO BANKING OR OTHER INSTITUTION HAS BEEN ENGAGED TO PROVIDE A LETTER OF CREDIT OR OTHER TYPE OF LIQUIDITY FACILITY IN THE EVENT THE REMARKETING AGENT IS UNABLE TO REMARKET BONDS PRESENTED TO THE TENDER AGENT FOR PURCHASE ON ANY OPTIONAL TENDER DATE. THE COLLEGE EXPECTS TO, BUT MAY NOT HAVE SUFFICIENT LIQUID FUNDS AVAILABLE ON ANY OPTIONAL TENDER DATE, TO PURCHASE TENDERED BONDS UPON THE NOTICE AS DESCRIBED IN "OPTIONAL AND MANDATORY TENDERS," HEREIN. HOWEVER, THE COLLEGE WILL RECEIVE NOTICE APPROXIMATELY THREE (3) DAYS' PRIOR TO AN OPTIONAL TENDER DATE AS TO THE AMOUNT OF UNREMARKETED BONDS AND THE AMOUNT OF LIQUID FUNDS NEEDED TO PURCHASE THE BONDS.

Lack of Bond Rating and Secondary Market

No application has been made for a credit rating for the Bonds. The absence of a rating could adversely affect the market for the Bonds. The owners cannot be assured that there will be a secondary market in the Bonds. In addition, adverse developments, including decreased enrollment or increased actual operating expenses of the College, may have an unfavorable effect upon the bid and asked prices for the Bonds in any secondary market.

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement; (b) the Mortgage and by a security interest in certain Contributions, Pledge Receipts and general revenues of the College (the "Security Interest"); and (c) a Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds. If an Event of Default occurs, there can be no assurance that such security will be sufficient to pay the principal of or interest on or the Purchase Price of, the Bonds.

Tuition and Fees

Tuition and fees represent a primary source for the College of meeting its costs of educational programs. An increase in tuition and fees could adversely affect the ability of the College to maintain enrollment levels necessary to achieve adequate funding. Similarly, a decrease in enrollment levels could adversely affect the revenue generated from tuition and fees.

Financial Aid

Over 80% of the College's students currently receive Federal or State financial aid toward tuition and fees or living expenses. No assurance can be given that Federal and State financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

Endowments, Gifts and Bequests

Endowment funds, gifts and bequests represent a source of funding for the College. No assurance can be given that current levels of these sources of funding will continue. A decline

in such levels could adversely affect the ability of the College to meet its cost of educational programs.

Ability to Foreclose Under the Mortgage

The Bonds are limited obligations of the Authority and have only one source of repayment, which is revenues derived from the College under the Loan Agreement. If sufficient payments are not forthcoming from the College, it will be necessary for the Trustee to exercise its remedies under the Mortgage and the Security Interest. The value of the Mortgaged Property upon foreclosure of the Mortgage may be adversely affected by a number of factors. The mortgaged building is designed for educational purposes and its use and marketability for other purposes may be limited. Attempts to foreclose under mortgages are frequently met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays in realizing on collateral or otherwise limit the value of the collateral.

Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture or the Bonds or the other obligations of the College. Accordingly, for payment of principal, interest and Purchase Price due on the Bonds, holders of the Bonds must look solely to the security under the Loan Agreement, the Mortgage and the Security Interest (including foreclosure) and the Indenture.

Bankruptcy

The ability of the Trustee to exercise rights under the Loan Agreement, the Mortgage and the Security Interest and the Indenture may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles related to or affecting the enforcement of creditors' rights generally.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the College:

- (1) Reinstatement of or establishment of mandatory governmental wage and price controls.
- (2) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in revenues.
- (3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without corresponding increase in revenues.
- (4) Adoption of Federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the College.

Suitability Standard for Minnesota Investors

The Bonds have not been rated by any rating agency. Consequently, with respect to Minnesota residents, the Bonds may be purchased only by persons having a minimum annual gross income of \$30,000 and a net worth of \$30,000 or in the alternative, a net worth of \$75,000. Net worth is determined exclusive of home, home furnishings and automobiles.

THE BONDS

General

The Bonds will be dated the date of initial delivery thereof and will mature August 1, 2003.

The Bonds are issuable only as fully-registered Bonds without coupons, in the denominations of \$100,000 and any larger amount which is an integral multiple of \$5,000.

The Bonds bear interest as described below. During the Variable Rate Period, interest accrued on any Bond shall be computed on the basis of a 365-day year for the number of days actually elapsed. Interest will be payable on the first Thursday of each month. In no event may the interest rate borne by the Bonds during the Variable Rate Period exceed 15% per annum.

Bonds may be transferred or exchanged for other Bonds of the same maturity, interest rate and principal amount, and of authorized denominations, at the principal corporate office of the Trustee. Except in connection with the purchase of Bonds upon optional or mandatory tender, the Trustee is not obligated to make any exchange or registration of transfer of Bonds after notice of any redemption of such Bonds. The Trustee may charge each Bondholder requesting a transfer or exchange, including a transfer or exchange upon optional or mandatory tender, for any required tax, fee or other governmental charge.

Payment of Principal and Interest

The principal of the Bonds will be payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee. Interest on the Bonds will be payable to the registered Holders thereof as such appear on the registration books maintained by the Trustee as of the close of business on the Record Date (as described below) next preceding the relevant Interest Payment Date (as described below), by check drawn upon the Trustee; provided that during the Variable Rate Period, on written request to the Trustee on or before the Record Date by a Holder of Bonds in an aggregate principal amount greater than \$1,000,000, interest will be payable by wire transfer or immediately available funds to any bank located in the United States specified by such Holder at the close of business on the Record Date.

Variable Rate Period

The College has appointed Norwest Investment Services, Inc. to serve as Remarketing Agent (the "Remarketing Agent") for the Bonds. The College may remove the Remarketing Agent and appoint a successor Remarketing Agent upon 30 days' notice.

From the Issue Date to and including June 30, 1993, the Bonds will bear interest at the rate determined by the Remarketing Agent. Thereafter, for each Weekly Period ending prior to the Conversion Date, the Bonds will bear interest at the Variable Rate determined by the Remarketing Agent, or under certain circumstances, the Trustee in accordance with the Indenture.

During each Weekly Period, the Bonds will bear interest at a Weekly Interest Rate determined by the Remarketing Agent by 12:00 Noon, Central Time, on each Wednesday during such Weekly Period (or, if any Wednesday is not a Business Day, then by 9:30 A.M., Central Time, on the next preceding Business Day). The Weekly Interest Rate will be effective from and including the Thursday following such Wednesday (or, if applicable, the next preceding Business Day) through and including the following Wednesday.

The Weekly Interest Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell such Bonds on the first day of the applicable Weekly Period at a price equal to the principal amount thereof (plus accrued interest, if any). If, for any reason, the Remarketing Agent fails to determine the Weekly Interest Rate, or if a Weekly Interest Rate cannot legally be determined, the Weekly Interest Rate for such period will be equal to the last rate previously determined by the Remarketing Agent.

Interest Accrual Periods, Interest Payment Dates, Record Dates

While the Bonds are in a Weekly Period, interest thereon will accrue for a period commencing with the first Thursday of each calendar month to and including the earlier of the first Wednesday of the next calendar month and the last day of such Weekly Period. During a Weekly Period, the Interest Payment Dates are the first Thursday of each calendar month, the Conversion Date and each Mandatory Tender Date. The Record Date during the Weekly Period is the Business Day next preceding each Interest Payment Date.

Conversion to the Fixed Rate

During the Fixed Rate Period, the Bonds will bear interest at the Fixed Rate. The College has the option to direct the Authority at any time to convert the interest rate on all of the Bonds to the Fixed Rate on a one-time basis by written notice. The date on which such conversion occurs (the "Conversion Date") must be a regularly scheduled Variable Rate Interest Payment Date not less than 45 days from the date the College gives such notice. The Fixed Rate will be the interest rate on the Bonds announced by the Remarketing Agent on a date at least 15 days prior to the Conversion Date effective on and after the Conversion Date.

The College will have the right to cancel the conversion to a Fixed Rate on or before the last Business Day prior to the Proposed Conversion Date, in which event the Bonds will continue to bear interest at the Variable Rate. (See "Mandatory Tender," following.)

Optional and Mandatory Tenders

General

During the Variable Rate Period, the Bonds will be purchased on demand of the Owners thereof, and will be subject to mandatory tender for purchase, at the times and subject to the conditions described below. The Purchase Price of Bonds purchased upon optional or mandatory tender will be equal to the principal amount thereof plus (unless the Tender Date is an Interest Payment Date) interest accrued and unpaid to the applicable Tender Date. Interest accrued on Bonds so purchased on an Interest Payment Date will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner. Payment for Bonds purchased will be made by the close of business on the date specified for purchase, upon compliance with the conditions thereof. Each Bond purchased upon optional or mandatory tender must have a written instrument of transfer (in substantially the form of assignment printed thereon or in any other form satisfactory to the Tender Agent) executed in blank by its Owner or duly authorized attorney.

Notice from the Holder of a Bond of the exercise of the right of optional tender will be irrevocable once given to the Tender Agent. In the event that any Holder gives notice of optional tender, and such Holder fails to deliver his Bonds, properly endorsed, to the Tender Agent at the specified place and on the applicable date, and funds sufficient to pay the Purchase Price thereof are available at such date, then from and after such date such Holder no longer will be entitled to the benefits of the Indenture, interest will no longer accrue to such Holder, and funds in the amount of the Purchase Price of such Bonds, without interest, will be

held by the Tender Agent or the Trustee for payment upon presentation of such Bond to the Tender Agent.

Optional Tender

During the Variable Rate Period, any Bond (other than a College Bond) or portion thereof (provided that both the portion purchased and the portion not purchased shall be in an authorized denomination) may be tendered at the option of its Holder for purchase by the Tender Agent, on behalf of the College, upon (i) delivery by the Holder to the Tender Agent at its principal office on a Business Day, not later than 4:00 P.M., Central Time (with notices delivered after such times being deemed to be delivered on the next succeeding Business Day), of an irrevocable optional tender notice (by telephone, telex or fax, promptly confirmed in writing) (an "Optional Tender Notice"), that states the principal amount, number and Holder of the Bonds to be purchased and the date on which the Bond is to be purchased (which must be a Business Day not less than 7 days after the date such notice is delivered) (an "Optional Tender Date"); and (ii) delivery of such Bond (together with an instrument of transfer) to the Tender Agent on such Optional Tender Date by 10:00 A.M., Central Time.

Mandatory Tender

Each Holder of a Bond (other than a College Bond) is required to tender such Bond to the Tender Agent for purchase on the following Mandatory Tender Date: any Proposed Conversion Date.

A Mandatory Tender Notice will be given by the Trustee to the Holders of all Bonds. A Mandatory Tender Notice is to be given not less than 30 days prior to each Mandatory Tender Date.

Each Bond to which a mandatory tender applies is required to be tendered to the Tender Agent for purchase on behalf of the College at or before 10:00 A.M., Central Time, on the applicable Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank and satisfactory to the Tender Agent).

Any Bond (other than a College Bond) which is not delivered to the Tender Agent at or prior to 10:00 A.M., Central Time, on a Mandatory Tender Date and as to which there has been irrevocably deposited with the Tender Agent or the Trustee an amount sufficient to pay, and for the purpose of paying, the Purchase Price thereof (an "Untendered Bond"), shall be "deemed tendered" for purposes of the Indenture and shall cease to accrue interest on such Mandatory Tender Date; such Untendered Bond shall cease to be outstanding under the Indenture, and the Holder of such Untendered Bond shall no longer be entitled to any payment or other benefits under the Indenture, except payment of the Purchase Price therefor from moneys, and only from such moneys, held by the Tender Agent (with appropriate instrument of transfer) at its Principal Office at or prior to 10:00 A.M., Central Time, on any Business Day after the Mandatory Tender Date. In lieu of and in substitution for such Untendered Bond, a Bond or Bonds shall be issued, registered and delivered as provided in the Indenture.

Purchase and Remarketing

On each Optional Tender Date and on each Mandatory Tender Date, the Tender Agent is required to purchase such Bonds with funds either derived from the remarketing of such Bonds or provided by the College. Subject to the availability of any required offering materials and satisfaction of other conditions precedent, the Remarketing Agent has agreed to use its best efforts to remarket tendered Bonds at a price of par plus accrued interest, if any.

Redemption

Optional Redemption

During the Variable Rate Period, the Bonds are subject to optional redemption by the Authority at the direction of the College, in part in integral multiples of \$100,000 or in whole on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed (without premium), plus accrued interest on the redemption date.

Redemption on Damage, Destruction or Condemnation

The Bonds will also be subject to optional redemption as a whole on any Interest Payment Date at par and accrued interest in certain cases of damage to or destruction or condemnation of the Project Facilities as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - Loan Agreement").

Partial Redemption

If less than all of the Bonds at the time outstanding are to be called for prior redemption, the College shall designate to the Trustee the amounts of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected by lot or random selection, unless otherwise provided in the Indenture, by the Trustee. The College may direct the Trustee to select by lot or other random means from among all the Holders and thereafter select by lot the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders.

In the case of Bonds during any Variable Rate Period of denominations greater than \$100,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$100,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$100,000. If it is determined that one or more, but not all, of the \$100,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$100,000 unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the \$100,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than \$100,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$100,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such \$100,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$100,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such \$100,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Mandatory Redemption

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall be subject

to mandatory redemption as a whole from the first practicable date following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days and no more than 60 days before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Sources

Refunding Bond Principal	\$2,000,000
Series Two-R Reserve Account	170,000
Series Two-R Redemption Account	2,301,500
Available Funds of the College	<u>22,500</u>
Total Sources	<u>\$4,494,000</u>

Uses of Funds

Escrow Deposit for Series Two-R Bonds	\$4,396,500
Reserve Account	35,000
Underwriter's Discount and Costs of Issuance	<u>62,500</u>
Total Uses	<u>\$4,494,000</u>

PURPOSE OF THE BONDS

Net proceeds of the Series Three-O Bonds, together with amounts on deposit in the Series Two-R Bond Account, Series Two-R Reserve Account and Series Two-R Redemption Account and available general funds of the College, if necessary, will be used to redeem the \$4,250,000 Series Two-R Bonds on August 1, 1993, pursuant to the Series Two-R Indenture.

The Series Two-R Bonds financed the construction of the Warren E. Burger Library, which opened in 1990. The Library has a capacity for 500,000 volumes; a computerized legal research center; a personal computer lab; study rooms; seminar rooms; and a conference suite. The building contains approximately 63,000 square feet on three floors.

SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account. The Reserve Account will be fully funded from proceeds of the Bonds in the amount of \$35,000.

The Loan Repayments are a general obligation of the College, which are expected to be paid primarily from certain revenues and contributions, including Contributions and Pledge Receipts derived from a fund drive to solicit contributions for the Project. (See "The Campaign to Build the Warren E. Burger Library," herein.)

All Contributions and Pledge Receipts received by the College will be deposited into the Bond and Interest Sinking Fund Account to the extent that moneys and investments in the Bond and Interest Sinking Fund Account are not sufficient to pay interest on outstanding Bonds due on the next Interest Payment Date. All Contributions and Pledge Receipts in excess of amounts required to be deposited in the Bond and Interest Sinking Fund Account shall be deposited to the Redemption Account to be used for the redemption of outstanding Bonds.

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the College will mortgage and grant a security interest in the land and buildings, personal property and fixtures comprising the College's campus to the Authority to secure its obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS - The Mortgage"). The Authority will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee as part of the Trust Estate.

The College also will covenant that:

- a. At July 31, 1993 and at the end of each Fiscal Year thereafter, for at least two of the preceding three Fiscal Years (including such Fiscal Year), Unrestricted Current Fund revenues shall be not less than Unrestricted Current Fund expenditures, including mandatory transfers, according to the principles of accounting used in the preparation of the College's financial statements for the Fiscal Year ended July 31, 1992. In the event that, following any Fiscal Year, the College shall not be in compliance, the College may cure such deficiency by making a transfer to the Unrestricted Current Fund, during or within 90 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposit may be made from unencumbered Unrestricted Quasi-Endowment Funds, but not if such deposit will cause the sum of the College's unencumbered Unrestricted Quasi-Endowment Funds to be less than an amount equal to one-half of the outstanding principal amount of the Bonds. No such deposit may be made from any proceeds of the Bonds or other borrowed funds.
- b. At July 31, 1993 and at the end of each Fiscal Year thereafter, the total market value of investments and cash included in unencumbered Unrestricted Quasi-Endowment Funds will not be less than an amount equal to one-half of the outstanding principal amount of the Bonds. Within 150 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an authorized institution representative accompanied by a valuation report of an independent investment manager showing the amounts of Unrestricted Quasi-Endowment Funds, the investments thereof, the valuations of such investments, and the amount thereof (if any), which is pledged to secure obligations of the College or is otherwise encumbered, all as of the end of the Fiscal Year. If at the end of any Fiscal Year the market value of investments and cash included in unencumbered Unrestricted Quasi-Endowment Funds does not equal or exceed an amount equal to one-half of the outstanding principal amount of the Bonds, the College shall obtain

(from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) and cause to be credited to unencumbered Unrestricted Quasi-Endowment Funds additional unencumbered moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

- c. For so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except (i) Funded Debt which does not exceed \$500,000 and which does not cause the aggregate then outstanding Funded Debt incurred under this clause (i) to exceed \$2,000,000; (ii) a refunding or refinancing of Funded Debt outstanding which does not increase the annual average debt service on such Funded Debt and further excepting indebtedness for capital projects for which the College has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless in each of the last two preceding Fiscal Years for which audited financial statements are available the Debt Service Coverage Ratio was at least 120% of maximum annual debt service of (i) then outstanding Funded Debt and (iii) Funded Debt thereafter issued or proposed to be issued; provided that if the additional Funded Debt proposed to be issued is to finance student-housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the earlier Fiscal Year, the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be issued is to finance other College facilities and if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, there shall be added to Net Income Available for Debt Service for the earlier Fiscal Year the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the College and the Trustee.

"Net Income Available for Debt Service" means the excess of Unrestricted Current Fund revenues over Unrestricted Current Fund expenditures (excluding depreciation, amortization and interest from expenditures), plus income from investment of Accounts held by the Trustee under the Indenture.

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

The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds.

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

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Costs of Issuance Fund, a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Series Two-R Redemption Account held by the Series Two-R Trustee, except that funds for the payment of issuance costs will be deposited into the Costs of Issuance Fund, \$35,000 will be deposited into the Reserve Account and accrued interest, if any, will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments or proceeds of remarketing are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Fund, the Reserve Account and the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on or the Purchase Price of the Bonds.

Costs of Issuance Fund

There shall be deposited initially into the Costs of Issuance Fund any Bond proceeds available for the payment of issuance costs. In addition, the College will agree in the Loan Agreement to pay out of available general funds (other than Bond proceeds) all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the par amount of the Bonds. Any amounts in the Costs of Issuance Fund which have not been spent within six months of the issuance of the Bonds shall be deposited into the Bond and Interest Sinking Fund Account.

Bond Purchase Fund

There shall be deposited to the General Account in the Bond Purchase Fund (a) the remarketing proceeds of Bonds received by the Trustee from the Tender Agent (together with any investment income thereon) in a separate subaccount of the General Account, but not including any moneys received from the Authority or the College, and (b) all other moneys which are required or directed to be deposited to the Bond Purchase Fund.

Moneys in the Bond Purchase Fund shall be used solely for the payment of the Purchase Price of Bonds upon Optional or Mandatory Tender and shall be disbursed by the Trustee from the Bond Purchase Fund in the following order: (a) amounts in the General Account derived from remarketing of the Bonds and investment income thereon and (b) amounts in the General Account derived from any other sources and investment income thereon. If the funds available under clause (a) in the foregoing sentence, for the payment of the Purchase Price of Bonds on any Optional Tender Date or Mandatory Tender Date, are not sufficient to pay in full the Purchase Price of such Bonds, the Trustee shall notify the College before 12:00 Noon, Central Time, on any Tender Date of insufficient funds in the Bond Purchase Fund and request immediate receipt from the College of an amount which will be sufficient, together with the funds available under clause (a) above, to pay the Purchase Price of such Bonds on such Optional Tender Date or Mandatory Tender Date.

Any moneys held by the Trustee in the Bond Purchase Fund for payment of the Purchase Price of Bonds to be purchased pursuant to an Optional or Mandatory Tender shall be retained by the Trustee exclusively for the benefit of the Holders of such Bonds until paid to such Holders; and such moneys shall not, under any circumstances or at any time whatsoever, be paid to the

College (except as provided below) or to any Person other than the Holders of Bonds entitled thereto, and such Holders shall look only to such moneys for the payment of the Purchase Price of such Bonds.

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or Mandatory Tender Date, authorize the payment of such balance to the College.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from Contributions and Pledge Receipts and earnings on other accounts established under the Indenture and from Loan Repayments made by the College. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than July 1, 1994 and annually thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

Interest and income in the Reserve Account shall be transferred first, to the Bond and Interest Sinking Fund Account to the extent the amount on deposit in the Bond and Interest Sinking Fund Account is less than the amount permitted for a bona fide debt service fund under the Arbitrage Regulations; and second, to the Redemption Account any excess interest and income, and when the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund

Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Redemption Account

There shall be deposited to the Redemption Account certain Contributions and Pledge Receipts, all as defined herein, required under the Loan Agreement. In addition, the College shall deposit to the Redemption Account certain other moneys held as part of the Trust Estate not required to be otherwise deposited, including certain excess insurance and condemnation proceeds. Funds in this Account will be available to maintain required balances in other accounts and to redeem Bonds. Deposits shall be made by the College as required under the Loan Agreement and Trust Indenture. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College shall have failed to pay or provide for the payment thereof under the Loan Agreement.

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Reserve Account, the Costs of Issuance Fund or the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments and state housing finance agencies, rated at least "A;" revenue bond obligations of states and local governments rated at least "AA" or "Aa;" mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements or reverse repurchase agreements collateralized by the foregoing obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation or collateralized by certain government obligations; certain guaranteed investment contracts issued by a bank or insurance company rated at least "A;" certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 8.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

THE AUTHORITY

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$350 million. The Authority has had 75 issues (including refunded and retired issues) totaling \$320,545,000 of which \$205,324,071 (excluding the Bonds) is outstanding as of June 2, 1993. The Authority has five series of bonds authorized in the amount of approximately \$69,990,000, but unissued. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. In addition, State community and technical colleges are eligible for assistance in financing child-care facilities, but not other types of projects. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes. In the opinion of bond counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement and remodeling projects.

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

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

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

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Finance Advisors, of St. Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon College officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased by Norwest Investment Services, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of 99.25% of par. The initial public offering prices set forth on the cover page may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page. The Underwriter is also acting as Remarketing Agent.

Norwest Investment Services, Inc. ("NISI") is a separate subsidiary of Norwest Corporation and is not a bank. It is a registered broker/dealer and a member of the National Association of Security Dealers and is also a member of the Security Investors Protection Corporation. NISI is an affiliate of banks owned by Norwest Corporation including Norwest Bank Minnesota, National Association. Any obligations of NISI are the sole responsibility of NISI and do not create any obligations on the part of any other affiliate of NISI. No affiliate of NISI is responsible for the securities sold by NISI. Unless so indicated, any investments recommended, offered or sold by NISI are not insured by the Federal Deposit Insurance Corporation.

LITIGATION

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

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Faegre & Benson of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Briggs and Morgan, Professional Association, St. Paul, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph.

Under present provisions of the Code, interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations and the environmental tax imposed with respect to corporations, except that interest on the Bonds will be included in the computation of "adjusted current earnings", which may be an item of tax preference includable in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over \$2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1996.

The Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property, casualty or other insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts is passive investment income.

The Code further provides that interest on the Bonds is includable in the calculation of modified adjusted gross income in determining whether Social Security or railroad retirement payments are to be included in taxable income of individuals.

Bondholders should consult their tax advisors with respect to collateral consequences arising from the receipt of interest on the Bonds, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson, Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE COLLEGE

William Mitchell College of Law, a private, independent law school, is a Minnesota not-for-profit corporation. It is accredited by the American Bar Association ("ABA") and is a member of the American Association of Law Schools ("AALS").

Since 1900, the College and its predecessor law schools have offered a law degree through evening, and later a combination of day and evening, classes. William Mitchell College of Law was created in 1958 through the successive mergers of several Twin Cities law schools. William Mitchell's first unified campus was at 2100 Summit Avenue in St. Paul. In 1976, the College moved to its present campus at 875 Summit Avenue in St. Paul.

Currently two degrees are offered: the Juris Doctor ("J.D.") and the Master of Laws ("LL.M.") in Taxation.

Governance

The College is governed by a 32-member Board of Trustees. The Board consists of not fewer than 15 nor more than 32 persons. Trustees are elected by members of the College at the annual meeting of the membership, or at a special meeting called for that purpose. Trustees serve for a three-year term and may succeed themselves in office. Service on the Board is limited to three successive three-year terms, with an option for reappointment following at least one year off the Board.

The following is a list of the members of the Board of Trustees as of May 1, 1993:

<u>Trustees</u>	<u>Principal Activity</u>
Kenneth M. Anderson	Attorney; Private Practice; Minneapolis, MN
Will D. Antell	Director - Indian Education; Minnesota Department of Education; St. Paul, MN
John L. Auran	Attorney; Private Practice; Paradise Valley, AZ
Robert S. Burk (Vice Chair)	Attorney; Popham, Haik, Schnobrich & Kaufman, Ltd.; Minneapolis, MN
Charmaine S. Chapman	President and Chief Professional Officer; United Way of the Saint Paul Area; St. Paul, MN
Thomas M. Conlin	Attorney; Murnane, Conlin, White, Brandt & Hoffman; Minneapolis, MN
Rev. Jewelnel Davis	Chaplain; Carleton College; Northfield, MN
Charlton Dietz	Retired Senior Vice President/Legal Affairs and General Counsel; 3M Company; St. Paul, MN
Janet M. Dolan	Vice President; General Counsel and Secretary; Tennant Company; Minneapolis, MN
N. Rolf Engh	General Counsel; Valspar Corporation; Minneapolis, MN

Trustees

Principal Activity

Conrad M. Fredin

Attorney; Private Practice; Duluth, MN

Craig W. Gagnon

Attorney; Oppenheimer, Wolff & Donnelly;
Minneapolis, MN

Roy Garza

Executive Assistant - Department of Employee
Relations; State of Minnesota; St. Paul, MN

Clark C. Griffith, II

Attorney; Private Practice; Minneapolis, MN

Thomas C. Kayser

Attorney; Robins, Kaplan, Miller & Ciresi;
Minneapolis, MN

Thomas M. Libera

Of Counsel; Popham, Haik, Schnobrich &
Kaufman, Ltd.; Minneapolis, MN

Gregg S. Orwoll

Retired Senior Legal Counsel; Mayo Foundation-
Development; Rochester, MN

Hon. Peter S. Popovich

Retired Chief Justice; Minnesota Supreme Court;
Attorney; Briggs and Morgan; St. Paul, MN

Kathleen C. Ridder

Vice President; Brooks-Ridder and Associates;
Mendota Heights, MN

Mary Jo Ruff
(Alumni/ae Association
President)

Associate Executive Director; Minnesota State Bar
Association; Minneapolis, MN

Marcea Bland Staten

Assistant General Counsel; Medtronic, Inc.;
Minneapolis, MN

Kenneth M. Strom

Attorney; Private Practice; Eden Prairie, MN

Robert J. Struyk

Attorney; Dorsey & Whitney; Minneapolis, MN

Karlin S. Symons
(Secretary)

Attorney; Kaplan, Strangis & Kaplan; Minneapolis,
MN

Jerrold M. Tostrud
(Chair)

Vice President and Assistant to the President; West
Publishing Company; St. Paul, MN

Clifford L. Mitchell

Senior Vice President/General Counsel and
Secretary; General Mills, Inc.; Minneapolis, MN

Hon. Ronald E. Hachey
(Honorary Chair and
President Emeritus)

Retired Chief Judge; Second District Court;
St. Paul, MN

Administration

The principal officers of the College are as follows:

President and Dean

James F. Hogg was appointed president and dean of the College in June, 1985. He was a professor of law for 13 years at the University of Minnesota School of Law. He also was executive assistant to the president and secretary of the Board of Regents at the University. Hogg was a partner in the Oppenheimer law firm in the Twin Cities for five years and most recently was a vice president and associate general counsel with Control Data Corporation for ten years. He holds B.A.; LL.B.; and LL.M. degrees from the University of New Zealand and LL.M. and S.J.D. degrees from Harvard Law School.

Vice President Administration/Treasurer

Bruce E. Hutchins joined the College in 1985 as director of finance/treasurer. In 1986 he was appointed vice president administration/treasurer. He was previously with I.C. System, Inc. as vice president of finance and was also vice president financial management of the YMCA of Metropolitan Minneapolis. He holds a B.A. degree from the University of Minnesota and an Accounting Diploma from the International Accountants Society. He has had 20 years of senior financial management experience.

Associate Dean of Academic Affairs

C. Paul Jones, Associate Dean for Academic Affairs since 1991, has been a member of the full-time faculty for 23 years and served as Minnesota State Public Defender for 25 years. He has B.A. and J.D. degrees from the University of Minnesota and an LL.M. degree from William Mitchell College of Law.

Associate Dean, Director of Library

Ann Bateson is director of the Warren E. Burger Library and Associate Dean. She has a B.A. from the College of St. Catherine and a master's degree in library science and a law degree from the University of Minnesota. She has been director of the Journalism Library at the University of Minnesota and a deputy revisor of statutes for the Minnesota Legislature. She has taught criminal law, legislation and advanced legal research in the J.D. program and federal tax research in the graduate tax program. Bateson serves on the American Association of Law Schools' Executive Committee on Libraries and is an officer of its section on libraries. She is active in the American Association of Law Libraries and the Minnesota Association of Law Libraries, which she served as President. She is a co-author of The Process of Legal Research (3d ed. Little Brown and Company, 1992).

Dean of Students

James Brooks was appointed dean of students in 1983, following ten years of experience in higher education administration, with a specialty in student services. He has B.S. and M.A. degrees from Wake Forest University and an Ed.D. degree from the Catholic University of America.

Facilities

The College's physical plant consists of four buildings located on a six-acre campus on Summit Avenue in St. Paul. As of July 31, 1992, the book value (cost) of all buildings and

improvements, equipment and furnishings was \$12,510,000, with an insurable value of \$18,300,000.

The three main law school buildings house classrooms, the law library, legal services clinic offices and most of the administrative offices. The nearby Legal Education Center houses administration offices as well as various not-for-profit law-related offices.

Library

The College's Warren E. Burger Library is a 62,000 gross square foot facility. It houses a collection of approximately 220,000 volumes. 123,000 volumes are in hard copy; the remainder are microfilm, microfiche, audiovisual materials and computer software. The collection includes the statutes and case law of the United States and each of the fifty states, administrative law materials for the United States and Minnesota; Minnesota practice materials, most of the periodicals indexed in the two major legal periodical indexes; and major legal and nonlegal reference titles. It also includes the data available to users on the WESTLAW and LEXIS computer-assisted legal research services, as well as the data available on the following on-line systems: NEXIS, Dialog, Dow Jones News Retrieval, State Net and VU/TEXT. The Warren E. Burger Law Library is a United States Government Depository Library. It selects approximately 13% of the government publications offered to depository libraries.

The Library has a highly-qualified staff of nine professional librarians and nine support staff. All of the librarians have master's degrees in library science. Four of the library staff also have law degrees and three additional staff will complete their law degrees this year.

The Library uses the Innovative Interfaces automated library system. It has automated its acquisitions, serials check-in, accounting and on-line catalog systems and is currently automating its circulation system. In addition, the Library is a member of the OCLC bibliographic utility and of the MINITEX inter-library loan network.

The building is designed to provide comfortable study and seating space and to facilitate the use of innovative research technologies. It has a seating capacity of 615. The carrels and tables were designed by Buckstaff, and the chairs are the ergonomically sound Steelcase Sensor chairs. The Library has a fiber optic backbone and multistrand twisted pair cabling. It contains two 30-station computer labs and an AV/microform room. Study carrels are wired to permit use of laptop computers. The College's computer staff will be installing Internet in the Library this summer.

University of St. Thomas Affiliation

Negotiations are being conducted with the University of St. Thomas, Saint Paul, Minnesota, with respect to a possible affiliation arrangement with the College. Neither the likelihood nor the exact nature of any such affiliation can be predicted at this time.

Academic Information

The College's academic year consists of two semesters and one summer term. Eighty-six credits are required for the J.D. degree, which can be completed through a combination of day and evening classes. Part-time students can complete their degree in four academic years, taking eight to 11 credits per semester, while full-time students can finish in the traditional three-year period, taking up to 15 credits per semester.

In 1986 the College began offering the LL.M. in Taxation degree to provide advanced instruction for lawyers in taxation. Besides the J.D. degree, 22 credits are required to complete the part-time course, which has classes one evening per week.

Of note are several of the College's programs. The Legal Writing program has been praised by both the ABA and the AALS. The Law Clinic programs are designed to offer "hands-on" experience in practicing law and have been nationally recognized for their program excellence and innovation. The Academic Advancement program provides support services for students who show promise but who lack some of the technical skills necessary for law school success. William Mitchell students consistently compare well in competitions with students from other law schools.

Faculty and Staff

The ratio of students to full-time faculty at the College is approximately 28 to 1.

In addition to the 36 full-time faculty, 75 adjunct faculty and 100 skills instructors also teach at the College. Regular full- and part-time staff and administrators number 101.

The full-time faculty members are distinguished by their teaching, publishing and scholarly activities. Their publishing record in 1992-1993 compares favorably with the nation's top 25 law schools. Included on the faculty are the first woman from Minnesota and the youngest woman nationally to be inducted in the National Academy of Arbitrators, the former chair of the ABA Tax Section's Committee on Corporate Tax, two Fullbright Scholar recipients, two legal scholars who received research grants to study regional environmental issues and a legal scholar who received consecutive research grants in employment law. The text The Process of Legal Research: Successful Strategies, authored by William Mitchell Faculty, is used by more law students in the United States than any other text.

All 36 faculty members hold the J.D. degree; and 14 hold additional degrees in law, business and science.

The following table lists the average salary of full-time faculty members for the 1992-93 academic year:

Professor	\$82,000
Associate Professor	65,700
Assistant Professor	57,400

The College does not discriminate on the basis of race, creed, sex, age, national origin, disability or sexual preference in employment, admission, or operation of its programs or activities.

Applications, Acceptances, Enrollment

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
Applications	1,033	1,271	1,341	1,610	1,434
Acceptances	647	673	709	744	675
% Accepted	63%	53%	53%	46%	47%
Enrolled	325	350	360	341	318
% Enrolled to Accepted	50%	52%	51%	46%	47%
Total Enrolled (including LL.M.)	1,089	1,109	1,160	1,171	1,156

The College has a planned J.D. enrollment reduction plan in place specifying an enrollment of 1,050 for 1997-98.

Student Body

The fall semester 1992-93 enrollment for the J.D. program was 468 full-time and 666 part-time students. Approximately 77% of the total were from Minnesota. Approximately 49% were women and 11% were members of minority groups.

Housing

The College does not provide housing facilities for its students. Its Student Services Office assists students in locating suitable housing in the community.

Tuition and Fees

The College meets the cost of educational programs primarily through tuition and fees. The following table lists the tuition charged full and part-time students in the J.D. and LL.M. programs for the academic years 1988-89 through 1992-93.

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
<u>J.D.</u>					
Full-time (per year)	\$8,040	\$9,500	\$10,260	\$11,270	\$11,970
Part-time (per year)	5,670	6,900	7,450	8,180	8,690
<u>LL.M.</u>					
Part-time (per credit)	\$ 485	\$ 485	\$ 485	\$ 535	\$ 570

The Board of Trustees reserves the right to revise charges from time to time. Although the Board of Trustees anticipates that it will be able to raise current tuition and fees without adversely affecting the future enrollment, there can be no assurance that it will be able to do so. Future economic and other conditions may affect the ability to increase tuition and fees while sustaining current levels of enrollment. However, the Board's Executive Committee is committed to funding the College's obligations under the Loan Agreement from operating revenue in the event there is a shortfall in capital campaign pledge receipts.

The following table lists total revenue derived from tuition and fees for the fiscal years ended July 31.

<u>Year</u>	<u>Tuition and Fees</u>
1989	\$ 6,997,051
1990	8,067,332
1991	9,487,819
1992	10,911,127
1993 (approved budget)	11,120,730

Financial Aid

Approximately 82% of the College's students received financial aid in some form during the 1992-93 academic year. Financial aid from Federal, State and private sources is first applied to tuition and fees, but can also be used for books and supplies, and living expenses such as transportation, housing, food and miscellaneous personal expenses.

Most awards of financial aid, excluding competitive scholarships, are granted on the basis of financial need up to the maximum annual and aggregate limits allowed by the various programs. For some loans that are not based on financial need, the students' credit-worthiness is evaluated. Students are offered the opportunity to apply for a variety of loans, selecting the program or programs that best suit their circumstances. Although no assurance can be given that Federal and State financial aid will continue to be funded at current levels, government loan programs are expected to continue in some form in the foreseeable future. Private loan programs have also become quite plentiful, but students must meet the lenders' credit criteria. If a student has a poor credit history, access to private loan programs is a problem. Should Federal and State funding be curtailed, and private institutions' willingness to make student loans diminish, the enrollment of the College could decrease, adversely affecting revenues.

The following table sets forth a five-year summary of financial aid information. It shows growth in the numbers of student aid recipients, the amounts of aid awarded and the types of aid available.

WILLIAM MITCHELL COLLEGE OF LAW

FINANCIAL AID

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93*</u>
Federal Work-Study	\$ 90,430	\$ 106,651 (96)	\$ 119,099 (111)	\$ 105,631 (131)	\$ 117,197 (89)
Federal Perkins	\$ 196,440	\$ 269,200 (173)	\$ 230,290 (153)	\$ 289,126 (198)	\$ 313,450 (219)
Federal Stafford	\$ 4,373,874	\$ 5,097,432 (746)	\$ 5,721,870 (810)	\$ 5,798,870 (821)	\$ 5,927,901 (832)
Federal Unsubsidized Stafford	—	—	—	—	** \$ 37,018 (9)
Federal SLS	\$ 1,081,487	\$ 1,404,198 (386)	\$ 1,846,123 (493)	\$ 2,058,379 (547)	\$ 2,280,781 (604)
SELF	\$ 99,209	\$ 76,196 (17)	\$ 137,266 (29)	\$ 338,410 (69)	\$ 373,183 (78)
LAL	\$ 1,159,105	\$ 386,917 (69)	\$ 629,907 (104)	\$ 887,711 (130)	\$ 1,269,842 (158)
LSL	—	** \$ 1,202,134 (200)	\$ 1,312,111 (205)	\$ 1,509,103 (205)	\$ 1,380,600 (188)
General Scholarships	\$ 53,486	\$ 115,219 (99)	\$ 115,458 (150)	\$ 237,030 (235)	\$ 215,950 (225)
Merit Scholarships	\$ 43,784	\$ 202,769 (61)	\$ 280,618 (75)	\$ 286,574 (79)	\$ 310,209 (111)
Minority Scholarships***	\$ 8,197	\$ 124,376 (22)	\$ 163,043 (22)	\$ 116,840 (37)	\$ 92,042 (19)

* 1992-93 figures through 05/07/93.

() Number of recipients. Not available for 1988-89 due to computer conversion in 1989-90.

** First year of program.

*** Funds earmarked for minorities only. Minority students also receive other general and merit scholarships.

Federal Work-Study - formerly College Work Study (CWS).

Federal Perkins - formerly National Direct Student Loan (NDSL).

Federal Stafford - formerly Guaranteed Student Loan (GSL).

Federal Unsubsidized Stafford - terms are similar to Federal Stafford, except borrower is responsible for interest during school.

Federal SLS - Federal Supplemental Loan for Students.

SELF - Student Educational Loan Fund, a Minnesota State loan program.

LAL - Law Access Loan, a private loan program.

LSL - Law Student Loan, a private loan program.

General Scholarships - based on financial need only, as opposed to merit.

Pensions

Retirement benefits are provided for the academic and non-academic staff and administrators through Mutual of America and The Principal Life, both of which are national organizations used to fund pension benefits for educational institutions. Under these arrangements, the College and plan participants make monthly contributions to these plans. The cost of these benefits to the College was \$187,923 for 1991-92 and \$167,919 for 1990-91.

Unions

The International Brotherhood of Teamsters Local 503 represents five employees who are on the custodial and maintenance staff of the College. The College signed a three-year agreement with the Teamsters Local 503, which runs August 1, 1992 through July 31, 1995.

Financial Records

The College maintains its financial records on the basis of a Fiscal Year ending July 31. The accounts of the College are maintained in accordance with the principals of "fund accounting," and the financial statements of the College are prepared on the accrual basis. Appendix V sets forth the financial statements of the College for the year ended July 31, 1992 with condensed statements for the year ended July 31, 1991 which were presented for comparative purposes only. These statements which are included in this Official Statement have been audited by Coopers & Lybrand, independent auditors, as stated in their report appearing herein.

Statement of Unrestricted Revenues, Expenditures and Other Changes

The following table sets forth the College's Statements of Current Unrestricted Revenues, Expenditures and Other Changes for the College for the five Fiscal Years ended July 31, 1988-1992. This table should be read in conjunction with the financial statements which are included in Appendix V.

WILLIAM MITCHELL COLLEGE OF LAW

STATEMENT OF UNRESTRICTED CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES

For the Years Ended July 31, 1988 Through 1992

	1988	1989	1990	1991	1992
Revenue:					
Tuition and fees	\$6,258,125	\$6,997,051	\$8,067,332	\$9,487,819	\$10,911,127
Gifts and donations	126,978	1,129,563	89,833	186,939	300,475
Investment income	182,372	231,479	253,784	223,602	163,788
Endowment income	9,825	9,222	47,464	80,482	105,463
Rental income	86,594	93,813	98,562	100,230	103,180
Other income	197,895	170,645	177,666	176,715	206,640
Auxiliary services	297,426	290,618	361,877	397,474	373,182
Total Revenue	7,159,215	8,922,391	9,096,518	10,653,261	12,163,855
Expenditures:					
Educational:					
Instructional	3,092,964	3,283,289	3,425,588	3,816,880	4,199,945
Library	687,636	911,160	1,078,800	1,210,634	1,464,244
General and administrative	2,052,297	2,550,367	2,791,726	2,905,640	3,322,497
Plant facilities:					
Operation and maintenance	616,539	677,895	819,994	922,321	970,294
Invested in physical plant	234,501	55,969	88,332	101,376	195,034
Auxiliary services	272,322	252,169	344,094	358,785	376,570
Scholarships and fellowships				128,970	196,904
Total Expenditures	6,956,259	7,730,849	8,548,534	9,444,606	10,725,488
Other transfers and additions (deductions):					
Scholarship allocation transfer	(28,183)	(31,870)	(54,460)	(80,000)	(190,000)
Other transfers	(196,322)	(241,857)	(1,352,586)	(1,009,990)	(1,226,436)
Net Increase (Decrease) in Fund Balance	(\$21,549)	\$917,815	(\$859,062)	\$118,665	\$21,931

Source: Derived from audited financial statements of the College

Gifts and Donations

The College has solicited and received gifts for the Warren E. Burger Library, the Endowment, scholarships and Unrestricted Funds to support the general operation of the College. From 1988 through 1992, \$6,862,619 was received from all sources.

The Campaign to Build the Warren E. Burger Library

Fundraising for the new Library concluded July 31, 1990. During the five-year period, \$7.5 million was raised in gifts and pledges from a variety of law firms, corporations, private foundations, alumni and friends.

Of the \$7,500,000 total, \$3,390,830 was contributed by individuals; \$1,480,500 by law firms; \$1,143,100 by foundations; and \$1,539,078 was received from corporations. A total of 2,374 donors made gifts and pledges to the Library campaign.

The College is now collecting the pledges made over a five-year period to the building of the Library. The majority of the pledges will be completed by the end of 1994. As of May 26, 1993, \$1,998,768 in pledge payments was yet to be received.

Bequests

During the campaign period and in the two years following, the College has actively solicited for and received gifts by bequest. In 1991, the Board of Trustees adopted a planned-giving marketing plan and allocated resources to achieve the goals set out in the plan. In addition to the bequest gifts received, over 30 individuals have notified the College of their plans to include the College in their final estate plans.

Schedule of Gifts and Donations for Years Ending July 31

<u>Fiscal Year</u>	<u>Current Unrestricted Funds</u>	<u>Current Restricted Funds</u>	<u>Student Loan Funds</u>	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Capital Campaign Funds</u>	<u>Total</u>
1988	\$ 126,978	\$16,868	---	\$185,843	---	\$ 632,472	\$ 962,161
1989	1,129,563*	18,994	\$1,215	161,331	\$ 505	698,431	2,010,039
1990	89,833	34,816	390	113,195	---	1,329,104	1,567,338
1991	186,939	11,762	518	89,859	36,782	895,374	1,221,234
1992	300,475	75,978	410	71,187	78,833	574,964	1,101,847

* Includes a one-time gift of \$1,000,000.

Annual Fund and Endowment

Unrestricted giving and gifts to endowment continued to provide essential support to the College's operations. The annual fund was begun in 1980 and \$28,000 was contributed. In 1992, \$136,148 was received from 1,280 donors.

In 1992, the Board of Trustees adopted a plan to double the annual fund from \$130,000 to \$250,000 by 1995. The unrestricted gifts to the annual fund provide essential financial support and maximum flexibility.

The Board of Trustees defines the College's endowment as those funds which are subject to the restrictions of the gifts requiring the principal to be maintained in perpetuity and that the income be used either for purposes specified by the donor or for general College purposes.

Gifts received by the College, unrestricted by the donor, may by decision of the Trustees be set aside to function as endowment (Quasi-Endowment). If and when the need arises, the Quasi-Endowment may be used for current and capital expenditures at the discretion of the Trustees.

The following is a recapitulation of fund balances of the Endowment Fund for the five previous Fiscal Years ending July 31.

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Fund Balances:					
Endowment	\$1,026,704	\$1,185,213	\$1,315,153	\$1,476,135	\$1,601,877
Quasi-Endowment	<u>685,223</u>	<u>711,557</u>	<u>1,762,349</u>	<u>2,047,177</u>	<u>2,469,702</u>
Total	\$1,711,927	\$1,896,770	\$3,077,502	\$3,523,312	\$4,071,579

PROPOSED FORM OF LEGAL OPINION
FAEGRE & BENSON

2200 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
612/336-3000
FACSIMILE 336-3026

§
Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Three-O
(William Mitchell College of Law)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book entry system) Variable Rate Demand Revenue Bonds, Series Three-O (William Mitchell College of Law) dated June 1, 1993 (the "Bonds"). The Bonds are issued for the purpose of funding a loan from the Authority to William Mitchell College of Law, a Minnesota nonprofit corporation (the "College"), as owner and operator of William Mitchell College of Law, a Minnesota nonprofit institution of higher education having its main campus in the City of St. Paul, Minnesota (the "Institution"), in order to finance the costs of a project consisting of the refunding of the Authority's \$4,250,00 Mortgage Revenue Bonds, Series Two-R (William Mitchell College of Law) dated as of November 1, 1988 (the "Prior Bonds"). We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota as Trustee, both dated as of June 1, 1993, the opinion of Briggs and Morgan, P.A., as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Briggs and Morgan, P.A., as to the Loan Agreement having been duly authorized and executed and being binding upon the College, and upon a commitment for title insurance, as to the title to the Project Site (as defined in the Loan Agreement and Indenture) without examining the records of the College or original title records or abstracts of title.

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

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

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, as amended, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

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

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of Federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for the purpose of determining the "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch

profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated at Minneapolis, Minnesota, June ___, 1993.

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DEFINITION OF CERTAIN TERMS

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

Authority: The Minnesota Higher Education Facilities Authority.

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

Authorized Institution Representative: The person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by the Chair, Vice-Chair or the Secretary of its Board of Trustees or the President or a Vice President of the College. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under Article VIII of the Indenture and described in Section 8.05 thereof.

Board of Trustees: The Board of Trustees of the College, including the Executive Committee authorized to act for such board.

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

Bond Purchase Agreement: The Bond Purchase Agreement dated June 17, 1993 among the Authority, the Underwriter and the College.

Bond Purchase Fund: The trust fund created in the Indenture, including the General Account into which the Authority, the College or the Trustee shall deposit certain moneys for the payment of the Purchase Price of Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on June 16, 1993, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-O (William Mitchell College of Law).

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the College and located in the Project Building acquired from funds other than the proceeds of the Prior Bonds.

Business Day: (i) During the Variable Rate Period, any day other than a day on which banking institutions in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal offices of the Remarketing Agent are located are required or authorized by law to remain closed or other than a day on which the New York Stock Exchange is closed; and (ii) during the Fixed Rate Period, any day or other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are not required or authorized by law to remain closed.

College: William Mitchell College of Law, a Minnesota nonprofit corporation and institution of higher education located in St. Paul, Minnesota.

College Bond: Any Bond (i) registered in the name of, or the beneficial owner of which is, or which the Trustee actually knows is owned or held by the College or the Authority or the Trustee or an agent of the Trustee for the account of the College or the Authority; or (ii) with respect to which the College or the Authority has notified the Trustee, or which the Trustee actually knows, were purchased by another person for the account of the College or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the College.

Contributions: All contributions to the College restricted or intended to be used for the Project.

Conversion Date: The date as of which the interest rate on the Bonds converts from a Variable Rate to a Fixed Rate as such date is established pursuant to the Indenture.

Costs of Issuance Fund: The account established under the Indenture for the deposit of certain Bond proceeds to be used for the payment of certain costs of issuance of the Bonds.

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includible in the computation of any alternative minimum tax is not a Determination of Taxability.

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

Financial Journal: Northwest Financial Review, The Bond Buyer, or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or St. Paul, Minnesota, or in the City of New York, New York.

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

Fixed Rate or Fixed Rates: The Fixed Rates established in accordance with the Indenture at the Conversion Date.

Fixed Rate Interest Payment Date: The first February 1 or August 1 occurring at least 90 days after the Conversion Date, and each February 1 and August 1 thereafter prior to the last Maturity of any Bonds, and the date of such Maturity.

Fixed Rate Period: The period from and including the Conversion Date to and including the date of the last Maturity of any Bonds.

General Account: When used with respect to the Bond and Interest Sinking Fund Account, Redemption Account or the Bond Purchase Fund, the account by that name established within such fund.

General Bond Reserve Account: The General Bond Reserve Account created pursuant to the General Bond Resolution adopted by the Authority on October 31, 1972.

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

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

Indenture: The Trust Indenture between the Authority and the Trustee, dated as of June 1, 1993, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College.

Interest Accrual Period or Interest Period: (i) With respect to a Weekly Period, a period commencing with the first Thursday of each calendar month during such Weekly Period to and including the earlier of the first Wednesday of the next calendar month and the last day of such Weekly Period; and (ii) with respect to the Fixed Rate Period, a period commencing with the first day of the Fixed Rate Period to and including the last day preceding the first Fixed Rate Interest Payment Date, and thereafter a period commencing with each Interest Payment Date to and including the last day preceding the next Interest Payment Date; provided that the Interest Accrual Period with respect to a Mandatory Tender Date which is a Variable Rate Interest Payment Date described in clause (i) of the definition shall commence on the first day of the immediately preceding Interest Accrual Period and shall end on the day preceding such Variable Rate Interest Payment Date and the next Interest Accrual Period shall commence on such Variable Rate Interest Payment Date.

Interest Payment Date: On and prior to the Conversion Date, each Variable Rate Interest Payment Date and, after the Conversion Date, each Fixed Rate Interest Payment Date.

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

Issue: The Bonds.

Issue Date: The date on which the Bonds are delivered to the Underwriter thereof upon original issuance.

Loan Agreement: The Loan Agreement between the Authority and the Institution dated as of June 1, 1993, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee pursuant to Sections 4.02 and 4.09 of the Loan Agreement.

Mandatory Tender Date: The meaning assigned thereto in "THE BONDS - Optional and Mandatory Tenders - Mandatory Tender" herein.

Maturity: When used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Maximum Rate: The maximum rate, 15% per annum, borne by the Bonds during the Variable Rate Period.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement dated June 1, 1993 from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Institution or the Trustee as secured party, less the cost

of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority.

Optional Tender Date: The meaning assigned thereto in "THE BONDS - Optional and Mandatory Tenders - Optional Tender" herein.

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent; (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities; (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities and as do not in the aggregate, in the opinion of independent counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the College; (iv) the Mortgage; and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement and to the Mortgage.

Pledge Receipts: All payments on Pledges restricted or intended to be used for the Project.

Pledges: Written pledges or donors' expressions or intent of the donors to pay to the College contributions restricted or intended to be used for the Project in a lump sum or installments from time to time.

Prior Bonds: The Series Two-R Bonds.

Project: The Project consists of the acquisition and construction of a library building, with appurtenant site improvements, located on the campus of the College in St. Paul, Minnesota.

Project Building: The Warren E. Burger Library to be acquired, improved or constructed as part of the Project.

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

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

Project Site: The land on which the Project Building is located.

Proposed Conversion Date: The date on which the interest on the Bonds is to be converted to a Fixed Rate, as specified in the notice given by the College of its election to convert the interest rate on the Bonds to a Fixed Rate.

Purchase Price: When used with respect to the purchase of a Bond pursuant to the Indenture or the remarketing of a Bond on a Tender Date pursuant to the Indenture, an amount equal to the principal amount of such Bond to be so purchased or remarketed plus interest accrued and unpaid to, but not including, the applicable Tender Date; provided that, if such Tender Date is an Interest Payment Date for which moneys are available for the payment of such interest, accrued interest will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner.

Record Date: (i) With respect to each Variable Rate Interest Payment Date the Business Day next preceding such Variable Rate Interest Payment Date; (ii) with respect to each Fixed Rate Interest Payment Date, the 15th day of the calendar month next preceding such Fixed Rate Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required reserve in the Reserve Account and (iii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Remarketing Agent: Norwest Investment Services, Inc. or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

Remarketing Agreement: The Remarketing Agreement, dated June 1, 1993 between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

Reserve Account: The Reserve Account established under the Indenture.

Security Agreement: The Security Agreement dated as of June 1, 1993 between the College and the Trustee and any amendments or supplements thereto.

Series Three-O Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-O (William Mitchell College of Law).

Series Two-R Bond Account: The Bond and Interest Sinking Fund Account created under the Series Two-R Indenture.

Series Two-R Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-R (William Mitchell College of Law) dated as of November 1, 1988 and issued in the original principal amount of \$4,250,000.

Series Two-R Indenture: The Series Two-R Indenture defined in the recitals of the Indenture.

Series Two-R Loan Agreement: The Series Two-R Loan Agreement defined in the recitals of the Indenture.

Series Two-R Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement dated September 1, 1988 between the College and the Authority, which was assigned to the Series Two-R Trustee.

Series Two-R Redemption Account: The Redemption Account created under the Series Two-R Indenture.

Series Two-R Reserve Account: The Reserve Account created under the Series Two-R Indenture.

Series Two-R Security Agreement: The Security Agreement dated September 1, 1988 between the College and the Series Two-R Trustee.

Series Two-R Trustee: First Bank National Association as trustee under the Series Two-R Indenture.

Stated Maturity: When used with respect to any Bond or any installment of interest thereon, 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.

Tender Agent: The Tender Agent appointed in accordance with the Indenture (initially the Trustee), and any successor Tender Agent appointed hereunder.

Tender Date: Each Optional Tender Date and each Mandatory Tender Date.

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

Trustee, Registrar, Paying Agent: Norwest Bank Minnesota, National Association, Minneapolis, Minnesota.

Underwriter: Norwest Investment Services, Inc.

Variable Rate: The variable interest rate established from time to time in accordance with the Indenture.

Variable Rate Interest Payment Date: (i) The first Thursday of each calendar month commencing August 5, 1993 and the Conversion Date, and (ii) each Mandatory Tender Date described in the Indenture with respect to the Bonds subject thereto.

Variable Rate Period: The period from and including the Issue Date to and including the earlier of (i) the day next preceding the Conversion Date or (ii) the date of the last Maturity of any Bonds.

Weekly Interest Rate: With respect to a Bond, a variable interest rate on such Bond established in accordance with the Indenture.

Weekly Period: With respect to the Bonds during the Variable Rate Period, each period during which the Bonds shall bear interest at a Weekly Interest Rate.

SUMMARY OF DOCUMENTS**THE LOAN AGREEMENT**

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

Loan Repayments

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

- (a) Into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Series Three-O Bonds on the next succeeding Interest Payment Date and the amount payable as principal on the Series Three-O Bonds on the next succeeding principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.02, 8.02, 8.03 and 8.05 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and
- (b) prior to a date established for the optional or mandatory redemption and prepayment of the Series Three-O Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Three-O Bonds called for redemption from the Redemption Account; and
- (c) into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and
- (d) to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however, that there shall be credited against such obligations any remarketing proceeds of tendered Bonds and earnings thereon; and
- (e) to the Bond and Interest Sinking Fund Account or the Redemption Account all Contributions and Pledge Receipts as described in the Loan Agreement.

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

As additional payments the College agrees to pay the annual fee of the Authority, fees and expenses of the Trustee, rebate of certain excess investment earnings to the United States, and certain other expenses.

Use of Project Facilities

The College agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The College agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

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

Title to Property and Liens

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

Taxes and Other Governmental Charges

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

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

Insurance

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

- (a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Building.
- (b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$5,000,000 and against liability for property damage in the minimum amount for each occurrence of \$100,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

Upon the written request of the College, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any such coverage, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, in accordance with the recommendation of an independent insurance consultant employed by the College and satisfactory to the Trustee.

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

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than \$100,000, the College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds \$100,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole as more fully provided in the Loan Agreement.

Condemnation

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

Removal of Project Equipment and Building Equipment

The College may remove Project Equipment and Building Equipment from the Project Facilities and release from the lien of the Mortgage, where applicable, if no Default exists and upon the following conditions:

- (a) the College may substitute furnishings, equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance of the Project Facilities and the substituted property becomes subject to the lien of the Mortgage;
- (b) the College may remove Project Equipment without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an Independent Engineer selected by the College, to the Trustee for deposit in the Redemption Fund for the redemption and prepayment of the Series Three-O Bonds; provided that if the depreciated book value of any item of equipment so removed was less than \$25,000, such removal without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent Engineer upon such showing by the College as may be satisfactory to the Trustee; and
- (c) the College may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance of the Project Facilities.

In connection with (a), (b), and (c) above, if the depreciated book value of the Project Equipment or Building Equipment to be substituted, removed or released equals or exceeds \$25,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the removal of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Indemnification

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

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

Existence and Accreditation of College and Institution

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting

agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the College in the Loan Agreement and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the Institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

\$150,000,000 Limitation on Outstanding Non-Hospital Bonds

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000. Under the Loan Agreement, unless the College furnished an opinion of bond counsel that the tax-exempt nature of interest on the Bonds shall not be affected, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety.

Institution To Be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made, the Bonds shall be subject to mandatory redemption, as a whole, on the next practicable interest payment date and the redemption price therefor shall be equal to par plus accrued interest.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of

the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the College to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

Events of Default

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

- (a) If the College shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 days after notice from the Trustee or the Authority to the College that such payment has not been made; or
- (b) If the College shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) If the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or
- (d) If the College fails to observe the financial covenants set forth in Section 6.14 of the Loan Agreement, provided that failure to comply with Section 6.14(a) relating to the Unrestricted Current Fund balance shall not become an Event of Default unless the College fails to restore the deficiency within a period of 180 days after the close of the Fiscal Year in which such deficiency has occurred; or
- (e) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee; or
- (f) If the College files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the College; or
- (g) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or

- (h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of the property of the College, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control; or
- (i) If the College fails to pay when due the amount of any Purchase Price required to be paid under the Loan Agreement.
- (j) If there is an Event of Default under the Mortgage or the Security Agreement.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College. The provisions of paragraph (f) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the College has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the College shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College from carrying out its agreements.

Remedies on Default

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

- (a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due under and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.
- (b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement.
- (c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture in accordance with the provisions thereof.

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Bonds as provided in Section 10.05 of the Indenture and third any excess to the College.

Amendments

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

THE INDENTURE

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

Granting Clauses

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

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

Accounts

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

Trustee's Right to Payment

The Trustee shall have a lien, with right of payment prior to payment of interest on or principal of the Bonds, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts from the Bond Purchase Fund or the proceeds of remarketing the Bonds.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable arbitrage rebate requirements under Section 148(f) of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or moneys in the Accounts established by the Indenture.

Events of Default

The following are Events of Default under the Indenture:

- (a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or
- (b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or
- (c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the College (giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or
- (d) If any "event of default" on the part of the College, as that term is defined in the Loan Agreement, the Mortgage or the Security Agreement shall occur and be continuing; or
- (e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the

interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

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

Upon the happening and continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds shall, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the reference rate of Norwest Bank Minnesota, National Association, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in

aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided: First for the equal benefit of the Holders of all Bonds outstanding (other than College Bonds) and Second for the benefit of the Holders of the College Bonds.

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

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

Defeasance

If the Authority and the College shall:

- (a) pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) on or after the Conversion Date, provide for the payment of principal and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of or obligations fully guaranteed as to principal and interest by the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or
- (c) on or after the Conversion Date, deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of or obligations fully guaranteed as to principal and interest by the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or
- (d) surrender to the Trustee for cancellation all Bonds,

and shall also pay all other sums due and payable under the Indenture by the Authority, and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

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

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

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

Any supplemental indenture affecting the rights or obligations of the Remarketing Agent or the Tender Agent shall not be effective without written consent of the party affected thereby.

Amendments to the Loan Agreement

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

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

Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Tender Agent shall not be effective without the written consent of the Tender Agent.

Registration

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

THE MORTGAGE

At or prior to the closing, the College will execute and deliver to the Authority, and the Authority will assign to the Trustee, a Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), to be dated as of June 1, 1993, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the College grants to the Authority a first mortgage lien on its right, title and interest in and to the land described in Exhibit A to the Mortgage (the "Land"), and any buildings now standing or hereafter constructed or placed upon the Land and equipment located therein, constituting the Project Facilities (collectively, the "Mortgaged Property"). The Authority is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income (the "Revenues and Income") arising from the ownership of the Mortgaged Property.

The Loan Agreement provides that the College may release equipment from the lien of the Mortgage upon certain conditions more fully described under the captions "The Loan Agreement - Removal of Project Equipment and Building Equipment" in this Appendix.

Events of Default

The following are Events of Default under the Mortgage:

- (a) If an event of default (as defined therein) under the Loan Agreement has occurred and is continuing; or
- (b) If an event of default (as defined therein) under the Indenture has occurred and is continuing; or
- (c) If the College violates or fails to perform any covenant under the Mortgage for a reason other than force majeure (as defined in the Loan Agreement) for a period of thirty days after written notice from the Authority or the Trustee specifying the default and requesting that it be remedied or for such further period of time as the Trustee shall permit; or
- (d) If any representation of the College in the Mortgage or the Loan Agreement is incorrect in any material respect.

THE SECURITY AGREEMENT

At or prior to the closing, the College will execute and deliver to the Trustee a Security Agreement (the "Security Agreement") to be dated as of June 1, 1993, to secure the Bonds. The following is a summary of certain provisions of the Security Agreement. This summary does not purport to be complete and reference is made to the full text of the Security Agreement for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, contained herein.

To secure its obligations under the Loan Agreement, the College pledges and assigns to the Trustee a security interest in the following property including all proceeds thereof:

- (a) All Contributions and Pledge Receipts held by the Trustee from time to time in the Bond and Interest Sinking Fund Account and the Redemption Account and all securities and investments arising out of such Contributions and Pledge Receipts, however held;
- (b) all Contributions and Pledge Receipts required to be deposited in such Accounts pursuant to Section 6.15 of the Loan Agreement; and (c) any and all proceeds thereof.

From and after the occurrence of an "event of default" under the Indenture or a default on the part of the College in its obligations under the Security Agreement, the Trustee may exercise any rights and remedies available to it under the Loan Agreement, the Indenture, the Mortgage and the Security Agreement; exercise all rights of an owner with respect to any securities included in the property pledged by the Security Agreement; exercise and enforce any and all rights and remedies available after default to a secured party under the Uniform Commercial Code, including the right to offer and sell the property pledged under the Security Agreement; notify any pledgor or account debtor or any other person obligated to pay any amount due the College as pledges, rents, fees, charges or other payments, that such right to payment has been transferred to the Trustee; and exercise or enforce any and all other rights and remedies available by law against the College or any other person or property.

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WILLIAM MITCHELL COLLEGE OF LAW

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 1992**

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
William Mitchell College of Law:

We have audited the accompanying balance sheet of William Mitchell College of Law as of July 31, 1992, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. We previously audited and reported upon the financial statements of the College for the year ended July 31, 1991, which condensed statements are presented for comparative purposes only. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of William Mitchell College of Law as of July 31, 1992, and the changes in fund balances and current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

St. Paul, Minnesota
October 7, 1992

Coopers + Lybrand

WILLIAM MITCHELL COLLEGE OF LAW

BALANCE SHEET, July 31, 1992

(with comparative totals for July 31, 1991)

	1991 Total	1992 Total	ASSETS	Current Funds		Student Loan Funds	Endowment and Similar Funds	Plant Funds	Capital Campaign Funds	Agency Funds
				Unrestricted	Restricted					
\$ 3,730,583	\$ 4,972,020		Cash and temporary investments	\$ 662,194	\$113,646	\$ 37,605	\$2,772,635	\$ 1,218,700	\$ 100,000	\$67,240
80,016	97,285		Receivables:							
189,748	188,059		Tuition, less allowance of \$126,000 and	97,285						
43,868	5,694		\$91,000 in 1992 and 1991, respectively							
932,828	1,076,888		Notes	188,059						
			Grants		5,694					
			Student loans, less allowance of \$107,000			1,076,888				
			and \$88,000 in 1992 and 1991,							
			respectively							
31,264	59,169		Interest	42,070			8,681	8,418		
246,399	95,329		Other	51,435	11,603	13,975		18,316		
2,458,516	3,070,993		Investment in securities				1,031,484	2,039,509		
			Due from (to) other funds	33,186			342,606	100,000	(475,792)	
43,882	49,966		Prepaid expenses	49,966						
77,763	103,458		Bookstore inventories	103,458						
	50,000		Asset held for sale					50,000		
			Investment in physical plant:							
150,000	150,000		Land							
9,558,937	9,487,071		Buildings and improvements					150,000		
2,858,975	3,022,943		Equipment and furnishings					9,487,071		
3,314,538	3,655,221		Library books					3,022,943		
								3,655,221		
15,882,450	16,315,235		Less accumulated depreciation					16,315,235		
(6,441,727)	(7,126,972)							(7,126,972)		
9,440,723	9,188,260		Total property and equipment					9,188,260		
\$17,275,590	\$18,957,121		Total assets	\$1,227,653	\$130,943	\$1,128,468	\$4,155,406	\$12,623,203	\$ (375,792)	\$67,240

Continued

WILLIAM MITCHELL COLLEGE OF LAW

BALANCE SHEET, July 31, 1992, Continued

(with comparative totals for July 31, 1991)

	1991 Total	1992 Total	LIABILITIES	Current Funds Unrestricted Restricted	Student Loan Funds	Endowment and Similar Funds	Plant Funds	Capital Campaign Funds	Agency Funds
\$ 253,321	\$ 248,882	Accounts payable	\$ 181,642						\$67,240
283,525	363,338	Accrued expenses	363,338						
324,198	422,473	Unearned tuition	422,473						
85,095	62,745	Capital lease obligation			\$ 35,044	\$ 62,745			
36,098	35,044	Payable to beneficiary				4,250,000			
4,250,000	4,250,000	Long-term debt							
5,232,237	5,382,482	Total liabilities	967,453		35,044	4,312,745			67,240
		FUND BALANCES (DEFICIT)							
238,269	260,200	Current unrestricted funds	260,200						
76,487	130,943	Current restricted funds	\$130,943						
		Loan funds:							
950,248	1,096,229	U.S. Government grant refundable	\$1,096,229						
31,829	32,239	College funds, restricted	32,239						
		Endowment and similar funds:							
931,663	1,004,875	Endowment restricted	1,004,875						
544,472	597,002	Term-endowment restricted	597,002						
190,926	199,844	Quasi-endowment designated	199,844						
1,856,251	2,269,858	Quasi-endowment unrestricted	2,269,858						
52,416	48,783	Annuity fund	48,783						
		Plant funds:							
828,320	1,237,016	Renewal and replacement					1,237,016		
5,110,307	4,925,515	Investment in plant					4,925,515		
1,542,905	2,147,927	Retirement of indebtedness					2,147,927		
(310,740)	(375,792)	Capital campaign funds						(375,792)	
12,043,353	13,574,632	Total fund balances (deficit)	260,200	130,943	1,128,468	4,120,362	8,310,458	(375,792)	
817,275,590	818,957,121	Total liabilities and fund balances	\$1,227,653	\$130,943	\$1,128,468	\$4,155,406	\$12,623,203	(375,792)	\$67,240
		balances (deficit)							

The accompanying notes are an integral part of the financial statements.

WILLIAM MITCHELL COLLEGE OF LAW
STATEMENT OF CHANGES IN FUND BALANCES

for the year ended July 31, 1992
(with comparative totals for July 31, 1991)

	1991 Total	1992 Total	Revenues and other additions:	Current Funds Unrestricted Restricted	Student Loan Funds	Endowment and Similar Funds	Plant Funds	Capital Campaign Funds
\$ 9,487,819	\$10,911,127	\$10,911,127	Tuition and fees	\$10,911,127				
1,221,234	1,101,847	1,101,847	Gifts and donations	300,475	\$ 410	\$ 71,187	\$ 78,833	\$ 574,964
367,251	321,160	321,160	Federal government grants	177,887	143,273			
241,164	184,538	184,538	Investment income	163,788	20,770			
171,761	187,645	187,645	Endowment income	105,463		52,844		323
11,643	53,167	53,167	Net realized gains and losses					
100,230	103,180	103,180	Rental income	103,180			531,612	
353,086	531,612	531,612	Expended for plant facilities from current unrestricted fund					
397,474	373,182	373,182	Auxiliary services	373,182				
176,715	206,640	206,640	Other income	206,640				
<u>12,528,377</u>	<u>13,974,118</u>	<u>13,974,118</u>	Total revenues and other additions	<u>12,163,855</u>	<u>164,453</u>	<u>124,031</u>	<u>610,442</u>	<u>575,287</u>
8,118,534	9,157,607	9,157,607	Expenditures and other deductions:					
1,245,281	1,287,476	1,287,476	Educational and general	8,986,686				
375,134	483,747	483,747	Plant facilities	1,165,328			122,148	
358,785	376,570	376,570	Scholarships and fellowships	196,904				
			Auxiliary services (including space cost allocation of \$27,000 in 1992 and 1991)	376,570				
148,331	1,070	1,070	Fundraising		33,822	3,634		1,070
19,611	40,956	40,956	Other expenses					3,500
28,236	19,535	19,535	Indebtedness related costs					19,535
16,249	8,648	8,648	Disposal of equipment				8,648	
214,551	207,035	207,035	Bond trust accounts interest expense, net of interest income of \$108,244 and \$101,358 in 1992 and 1991, respectively				207,035	
			Depreciation				860,188	
<u>11,342,172</u>	<u>12,442,832</u>	<u>12,442,832</u>	Total expenditures and other deductions	<u>10,725,488</u>	<u>33,822</u>	<u>3,634</u>	<u>1,198,019</u>	<u>24,102</u>
			Interfund transfers - additions (deductions):					
			Mandatory:					
			Capital lease reduction	(22,351)			22,351	
			Matching grant	(15,760)	15,760			
			Capital campaign gifts				626,718	(626,718)
			Nonmandatory:					
			Plant funds	(477,915)			767,431	(289,516)
			Restricted funds	(190,000)				
			Capital campaign funds	(300,000)				300,000
			Endowment funds	(410,410)		424,237		
				(13,827)				
1,186,205	1,531,286	1,531,286	Net increase (decrease) in fund balances	21,931	146,391	544,634	828,926	(65,052)
10,837,148	12,043,353	12,043,353	Fund balances (deficit), beginning of year	238,269	982,077	3,575,728	7,481,532	(310,740)
<u>\$12,043,353</u>	<u>\$13,574,639</u>	<u>\$13,574,639</u>	Fund balances (deficit), end of year	<u>\$ 260,200</u>	<u>\$1,128,468</u>	<u>\$4,120,362</u>	<u>\$8,310,458</u>	<u>\$ (375,792)</u>

The accompanying notes are an integral
part of the financial statements.

WILLIAM MITCHELL COLLEGE OF LAW
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES
AND OTHER CHANGES

for the year ended July 31, 1992

(with comparative totals for the year ended July 31, 1991)

1991 <u>Total</u>	1992 <u>Total</u>		<u>Current Funds</u>	
			<u>Unrestricted</u>	<u>Restricted</u>
Revenue:				
\$ 9,487,819	\$10,911,127	Tuition and fees	\$10,911,127	
282,836	498,171	Gifts and donations	300,475	\$ 197,696
244,368	177,887	Federal government grants		177,887
223,602	163,788	Investment income	163,788	
171,761	187,644	Endowment income	105,463	82,181
100,230	103,180	Rental income	103,180	
176,715	206,640	Other income	206,640	
<u>397,474</u>	<u>373,182</u>	Auxiliary services	<u>373,182</u>	
<u>11,084,805</u>	<u>12,621,619</u>		<u>12,163,855</u>	<u>457,764</u>
Expenditures:				
Educational:				
Instructional:				
3,578,363	3,981,168	Salaries and benefits	3,947,752	33,416
306,295	270,478	Other	252,193	18,285
Library:				
564,636	699,977	Salaries and benefits	699,977	
389,659	423,585	Periodicals and other	423,585	
256,339	340,682	Books	340,682	
<u>117,602</u>	<u>119,220</u>	College work-study program		<u>119,220</u>
<u>5,212,894</u>	<u>5,835,110</u>		<u>5,664,189</u>	<u>170,921</u>
General and administrative:				
1,893,365	2,157,073	Salaries and benefits	2,157,073	
112,324	122,282	Advertising, publicity and student activities	122,282	
262,761	357,888	Supplies, postage and printing	357,888	
243,311	242,040	Consulting and profes- sional fees	242,040	
115,146	116,261	Training, development and recruiting	116,261	
76,984	75,575	Events	75,575	
35,094	67,665	Insurance	67,665	
<u>166,655</u>	<u>183,713</u>	Other	<u>183,713</u>	
<u>2,905,640</u>	<u>3,322,497</u>		<u>3,322,497</u>	

Continued

WILLIAM MITCHELL COLLEGE OF LAW
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES
AND OTHER CHANGES, Continued

for the year ended July 31, 1992

(with comparative totals for the year ended July 31, 1991)

<u>1991</u> <u>Total</u>	<u>1992</u> <u>Total</u>		<u>Current Funds</u> <u>Unrestricted</u> <u>Restricted</u>
		Expenditures, continued:	
		Plant facilities:	
\$ 922,321	\$ 970,294	Operation and maintenance	\$ 970,294
<u>101,376</u>	<u>195,034</u>	Invested in physical plant	<u>195,034</u>
<u>1,023,697</u>	<u>1,165,328</u>		<u>1,165,328</u>
<u>358,785</u>	<u>376,570</u>	Auxiliary services	<u>376,570</u>
<u>375,134</u>	<u>483,747</u>	Scholarships and fellowships	<u>196,904</u> <u>\$ 286,843</u>
<u>9,876,150</u>	<u>11,183,252</u>	Total current funds expenditures	<u>10,725,488</u> <u>457,764</u>
		Other transfers and additions/ (deductions):	
(84,135)	(121,718)	Excess of restricted expenditures over transfers to revenues	(121,718)
		Scholarship allocation transfer	(190,000) 190,000
<u>(1,078,485)</u>	<u>(1,240,263)</u>	Other transfers	<u>(1,226,436)</u> <u>(13,827)</u>
<u>\$ 46,035</u>	<u>\$ 76,386</u>	Net increase in fund balances	<u>\$ 21,931</u> <u>\$ 54,455</u>

The accompanying notes are an integral
part of the financial statements.

WILLIAM MITCHELL COLLEGE OF LAW

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

ACCRUAL BASIS:

The financial statements of William Mitchell College of Law ("the College") have been prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of operations or a statement of revenues and expenses.

To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures for normal additions and replacements; (2) mandatory transfers, in the case of required provisions for debt amortization and interest; and (3) transfers of a discretionary nature for all other cases. Receipts of capital campaign gifts and pledges are recorded as a mandatory transfer to the plant funds, in accordance with debt requirements.

FUND ACCOUNTING:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Continued

WILLIAM MITCHELL COLLEGE OF LAW

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, continued:

FUND ACCOUNTING, continued:

All gains and losses arising from the sale or other disposition of investments and other noncash assets and ordinary income derived from investments, receivables, and the like are accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

Unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

The endowment and similar funds group consists of endowments, term-endowments, quasi-endowments and annuity funds. Endowment funds are funds which donors have stipulated are to be maintained inviolate and in perpetuity and invested for the purpose of producing income which may either be expended or added to principal. Term-endowment funds are similar to endowment funds except that, upon the passage of a stated period of time or the happening of a particular event, all or part of the principal may later be expended. Quasi-endowment funds are amounts internally designated by the Board of Trustees for a specific purpose and may later be designated for other uses at the discretion of the Board of Trustees. Annuity funds consist of funds acquired subject to an agreement whereby assets are made available on the condition that the College pay stipulated amounts to a designated individual until his death. The College utilizes an actuarial method of accounting for annuity gifts.

The capital campaign funds group consists of gifts received and expenditures incurred in connection with the College's fundraising campaign for the Warren E. Burger Library.

The College adopted an endowment spending rate policy for fiscal 1992 whereby the College may spend up to 5% of the market value of the endowment assets. As a result, transfers were made from the current restricted fund and the current unrestricted fund to the endowment fund in the amounts of \$13,827 and \$2,270, respectively, to transfer earnings in excess of the spending rate to the quasi-endowment fund for the benefit of each individual endowment.

Continued

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, continued:

CASH AND TEMPORARY INVESTMENTS:

The cash and temporary investments balances of the various fund groups of the College are invested primarily in money market mutual funds and certificates of deposit. These investments are carried at cost which approximates market value at July 31, 1992.

INVESTMENT IN SECURITIES:

Investments in purchased securities are stated at cost or amortized cost when appropriate; investments in securities acquired by gifts and bequests are stated at fair value at date of receipt. Realized gains and losses on sales of securities are determined using the average cost method.

BOOKSTORE INVENTORIES:

Inventories consist of books, clothes, and other bookstore merchandise held for resale and are stated at the lower of cost or market with cost determined by the first-in, first-out or specific identification method.

INVESTMENT IN PHYSICAL PLANT:

Investment in physical plant is stated at cost or appraised value, except those received as gifts and bequests which are stated at fair value at date of gift. Depreciation has been computed on a straight-line basis over the estimated useful lives of buildings (40 years), building improvements (10 years), equipment and furnishings (3-7 years) and library books (15 years).

INCOME TAXES:

William Mitchell College of Law qualifies as a tax-exempt nonprofit organization under Section 501(c)3 of the Internal Revenue Code and similar statutes of Minnesota law. Accordingly, no provision for federal or state income taxes is required.

Continued

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO FINANCIAL STATEMENTS, Continued

2. Investment in Securities:

Investment in securities consists of the following:

	<u>July 31, 1992</u>		<u>July 31, 1991</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investment in St. Paul Foundation General Fund	\$ 95,692	\$ 95,692	\$ 91,410	\$ 91,410
Common stocks	215,685	431,500	222,244	441,788
Bonds	1,766,920	1,881,338	574,404	614,407
Money market accounts	<u>992,696</u>	<u>992,695</u>	<u>1,570,458</u>	<u>1,570,458</u>
	<u>\$3,070,993</u>	<u>\$3,401,225</u>	<u>\$2,458,516</u>	<u>\$2,718,063</u>
Reported in:				
Endowment and similar funds	1,031,484	1,336,953	966,826	1,226,373
Plant funds	<u>2,039,509</u>	<u>2,064,272</u>	<u>1,491,690</u>	<u>1,491,690</u>
	<u>\$3,070,993</u>	<u>\$3,401,225</u>	<u>\$2,458,516</u>	<u>\$2,718,063</u>

3. Pledges:

Pledges are not recognized as revenue until received. On July 31, 1992, the College had outstanding pledges for capital gifts of \$2,247,994 and for the Regulatory Policy Chair of \$20,150. Expected future receipts from these pledges are as follows:

<u>Years Ending July 31</u>	<u>Capital Campaign</u>	<u>Regulatory Policy Chair</u>
1993	\$ 335,271	\$10,150
1994	462,402	10,000
1995	218,821	
1996	32,500	
1997	11,000	
Thereafter	<u>1,188,000</u>	
	<u>\$2,247,994</u>	<u>\$20,150</u>

Continued

WILLIAM MITCHELL COLLEGE OF LAW

NOTES TO FINANCIAL STATEMENTS, Continued

3. Pledges, continued:

The total amount of gifts received and to be received for the capital campaign at July 31, 1992 are \$7,478,487. The College has been named a beneficiary of a revocable trust providing a gift of the lesser of \$1,000,000 or 5% of the adjusted gross estate of the donor. The College has also been named a revocable beneficiary of a retirement annuity providing a capital campaign gift of \$150,000. These gifts are included in the capital campaign pledges in the category "thereafter" in the amount of \$1,150,000, their combined estimated value at July 31, 1992.

4. Investment in Physical Plant:

Portions of a building carried at \$966,000 and not completely used in classroom operations are being leased to certain nonprofit organizations under cancelable operating lease agreements.

Investment in physical plant at July 31, 1992 consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Total Property and Equipment</u>
Land	\$ 150,000		\$ 150,000
Buildings and improvements	9,487,071	\$(3,279,964)	6,207,107
Equipment and furnishings	3,022,943	(1,841,630)	1,181,313
Library books	<u>3,655,221</u>	<u>(2,005,381)</u>	<u>1,649,840</u>
	<u>\$16,315,235</u>	<u>\$(7,126,975)</u>	<u>\$9,188,260</u>

5. Long-Term Debt:

The College has \$4,250,000 in Minnesota Higher Education Facilities Authority (the Authority) Mortgage Revenue Bonds, Series Two-R. The bonds are special obligations of the Authority and are payable solely from the loan repayments made by the College to the Authority. The loan agreement between the College and the Authority requires that the College maintain a ratio of unrestricted current fund revenues to unrestricted current fund expenditures and mandatory transfers of 102.5% in two out of every three years. In addition, the College must maintain unrestricted quasi-endowment fund investments with a market value of at least \$500,000.

Continued

WILLIAM MITCHELL COLLEGE OF LAW

NOTES TO FINANCIAL STATEMENTS, Continued

5. Long-Term Debt, continued:

The bonds bear interest at 7.375%, payable semiannually; the principal is due in 1998, although mandatory redemption is required beginning on August 1, 1993, in multiples of \$25,000, to the extent there are funds in the bond redemption fund. Collateral for the bonds consists of substantially all land and buildings of the College. The bond redemption fund investments and accrued interest totalled \$2,047,927 at July 31, 1992.

6. Capital Lease:

The College leases certain equipment under a capital lease agreement. This equipment has an original cost of \$158,896 and accumulated depreciation of \$114,443 at July 31, 1992. Future minimum lease payments and their aggregate present value as of July 31, 1992, are as follows:

Years Ending July 31

1993	\$29,155
1994	29,155
1995	<u>11,835</u>
	70,145
Less amount representing interest	<u>7,400</u>
Present value of minimum lease payments	<u>\$62,745</u>

7. Retirement and Benefit Plans:

The College sponsors a contributory defined contribution retirement plan for all full-time employees. Benefits to be paid are based on amounts contributed plus all earnings of the plan. Included in expenditures for the years ended July 31, 1992 and 1991 are \$187,923 and \$167,919, respectively, expensed by the College on behalf of its employees. The College contributes an amount equal to the contribution of each employee, up to a maximum contribution of 5% of the employee's salary.

In addition, for each full-time employee's flexible benefit bank, the College contributes \$2,965 plus 5% of the employee's salary. The 1992 and 1991 amounts include \$606,305 and \$505,707, respectively, paid by the College for flexible benefits.

Continued

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO FINANCIAL STATEMENTS, Continued

8. Concentrations of Credit Risks:

Approximately 90% of the College's investments are held with one trustee. These investments are managed by several investment managers.

WILLIAM MITCHELL COLLEGE OF LAW

**INTERIM AND UNAUDITED FINANCIAL STATEMENTS
AS OF MARCH 31, 1993**

The following interim and unaudited financial statements as of March 31, 1993 (interim statements), prepared from the books and records of William Mitchell College of Law at the date, are not presented on a basis consistent with the financial statements of the College for the year ended July 31, 1992, and have not been prepared in accordance with generally accepted accounting principles. The College prepares interim financial data in part on the cash basis, recording certain accounting entries only annually. Departures from generally accepted accounting principles include, but are not limited to, the following: accruals of expenses are likely not complete and certain liabilities such as payable to beneficiary and capital lease obligations have not been updated since July 31, 1992. The departures from generally accepted accounting principles in the interim statements may materially affect the results presented.

WILLIAM MITCHELL COLLEGE OF LAW
BALANCE SHEET, MARCH 31, 1993

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WILLIAM MITCHELL COLLEGE OF LAW
BALANCE SHEET, MARCH 31, 1993 (continued)

VI-3

WILLIAM MITCHELL COLLEGE OF LAW
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE PERIOD ENDED MARCH 31, 1993

INTERIM AND UNAUDITED

	1993 Total	Revenues and other additions	Current Funds Unrestricted	Restricted	Student Loan Funds	Endowment and Similar Funds	Plant Funds	Capital Campaign Funds
	8,912,908	Tuition and Fees	8,912,908		277	76,374	3,742	223,080
	536,452	Gifts and donations	162,494	70,485	145,786			
	214,540	Federal government grants		68,754	14,519			
	117,760	Investment income	103,241					
	100,127	Endowment income	44,636	55,491			1,030	
	(28,131)	Net realized gains and losses	(29,161)					
	59,403	Rental income	69,403				289,217	
	289,217	Expended for plant facilities from current unrestricted fund						
	348,725	Auxiliary service	348,725					
	122,451	Other income	108,425	9,915				4,111
	<u>10,683,452</u>	Total revenues and other additions	<u>9,720,671</u>	<u>204,645</u>	<u>160,582</u>	<u>76,374</u>	<u>293,989</u>	<u>227,191</u>
	6,455,956	Expenditures and other deductions:						
	770,911	Educational and general	6,408,458	47,498				
	513,512	Plant Facilities	601,880				169,031	
	323,677	Scholarships and fellowships	200,595	312,917				
	0	Auxiliary services (including space cost allocation of \$27,000)	323,677					
	14,373	Fundraising			14,373			
	13,839	Other Expenses						13,839
	0	Indebtedness related costs						
	90,312	Disposal of equipment					90,312	
		Bond trust accounts interest expense, net of interest income of \$68,270					548,933	
		Depreciation						
	<u>8,182,580</u>	Total expenditures and other deductions	<u>7,534,610</u>	<u>360,415</u>	<u>14,373</u>	<u>0</u>	<u>808,276</u>	<u>13,839</u>
	1,951,939	Interfund transfers - additions (deductions):						
	13,574,604	Mandatory:						
		Capital lease reduction	(14,576)		14,576		404,522	(404,522)
		Matching grant						
		Capital campaign gifts					233,336	
		Nonmandatory:						
		Plant funds	(233,336)					
		Restricted funds	(146,664)	146,664				
		Capital campaign funds	(204,520)					204,520
		Endowment funds						
		Net increase (decrease) in fund balances	1,586,965	(9,106)	160,785	76,374	123,571	13,350
		Fund balances (deficit) beginning of year	260,200	130,943	1,120,433	4,120,362	8,310,458	(375,792)
	<u>\$15,526,543</u>	Fund balances (deficit) end of year	<u>\$1,847,165</u>	<u>\$121,837</u>	<u>\$1,289,218</u>	<u>\$4,196,736</u>	<u>\$8,434,029</u>	<u>(1362,442)</u>

