

NEW ISSUE

Rating: Moody's Aa2 / VMIG1

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 net 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 and corporations. 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 of 1986, as amended. (See "TAX EXEMPTION.")

\$15,800,000
Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Five-S
(William Mitchell College of Law)
(DTC Book Entry Only)

Dated Date: Date of Issue

Maturity Date: October 1, 2033

This Official Statement contains information relating to the Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-S (William Mitchell College of Law) (the "Bonds") prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering.

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, payable solely from Loan Repayments made by or on behalf of William Mitchell College of Law, a Minnesota non-profit corporation (the "College"), and, during the Variable Rate Period, drawings on the Letter of Credit.

The Bonds will be issued as fully registered bonds without coupons in minimum denominations of \$100,000 and any larger amount which is an integral multiple of \$5,000, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only and Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "THE BONDS -- Book Entry System" herein.)

During the Variable Rate Period, payment of principal of and 49 days of interest on the Bonds at the Maximum Rate will be secured by an irrevocable, direct-pay Letter of Credit issued by

U.S. Bank National Association

or by any provider of an Alternate Letter of Credit. During the Variable Rate Period, if the College provides an Alternate Letter of Credit as more fully described herein, then the Bonds shall be subject to mandatory tender on the effective date of substitution of the Alternate Letter of Credit.

The Bonds are subject to redemption prior to maturity as described herein, including upon a failure to provide an Alternate Letter of Credit as more fully provided herein. See "THE BONDS -- Redemption."

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA, NOR SHALL THEY 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 Rate Setting Agent from their date of issue to and including October 8, 2003. Thereafter, until the Conversion Date, the Bonds will bear interest at a Variable Rate that is determined weekly by the Rate Setting Agent. Interest on the Bonds shall be payable on the first Business Day of each month commencing November 3, 2003. Interest shall be computed on the basis of a 365- or 366-day year and actual days elapsed. At the option of the College and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to a Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Owners of the Bonds have the right to tender their Bonds for purchase by presentation to U.S. Bank National Association (the "Trustee" and the "Tender Agent") at certain times 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 co-Remarketing Agents are RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC (jointly, the "Remarketing Agent") and Wells Fargo Brokerage Services, LLC is the Rate Setting Agent.

BONDHOLDERS ARE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST THEREON, OR, IF THE MANDATORY TENDER RELATES TO THE PROVISION OF AN ALTERNATE LETTER OF CREDIT, MAY ELECT NOT TO TENDER OR SELL, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date occurs on the effective date of the substitution of any Alternate Letter of Credit or the Conversion Date. Any Bond to be purchased which is not timely delivered to the Tender Agent on the Mandatory Tender Date or the Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall be deemed no longer outstanding and shall cease to accrue interest on such Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriters, 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 Best & Flanagan LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Briggs and Morgan, Professional Association, of Saint Paul and Minneapolis, Minnesota; for the Bank by Dorsey & Whitney LLP, Minneapolis, Minnesota; and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota. It is expected that the Bonds in definitive form will be available for delivery to the Underwriters at DTC on or about October 2, 2003.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS 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 Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriters. The information contained herein, except as it relates to the Authority, DTC, the Bank and the Trustee, has been obtained from the College and is not guaranteed as to accuracy or completeness. Information relating to DTC, the Bank and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority contained in this Official Statement, 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, the Bank 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 of such documents have not been included as appendices hereto, they will be furnished on request.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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 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

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OFFICIAL STATEMENT

\$15,800,000

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

(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, and William Mitchell College of Law, a Minnesota non-profit corporation, a 501(c)(3) organization and the owner and operator of an institution of higher education with its campus located in Saint Paul, Minnesota (the "College"), in connection with the issuance of the Authority's \$15,800,000 Variable Rate Demand Revenue Bonds, Series Five-S (William Mitchell College of Law) (the "Bonds").

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

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") dated as of October 1, 2003 between the Authority and U.S. Bank National Association, Saint Paul, Minnesota, as trustee (the "Trustee"). The Trustee will initially also act as Tender Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") dated as of October 1, 2003 between the College and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds to the College, and the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and to pay the Purchase Price of the Bonds on any Tender Date. The Bond proceeds, along with available College funds, will be used to:

- (1) construct, renovate and expand a Student Center,
- (2) construct, renovate and expand classroom space with enhanced technology,
- (3) expand and upgrade the facility infrastructure, and
- (4) pay certain issuance costs.

The improvements described herein are collectively referred to as the "Project" and are to be owned and operated by the College and located on the College campus in Saint Paul, Minnesota. See "USE OF PROCEEDS" herein.

The Bonds are secured by a pledge of the Loan Repayments, the payment of which is a general obligation of the College and, prior to the Conversion Date, draws under a Letter of Credit, as further described herein.

At the time of the issuance of the Bonds, an irrevocable, transferable, direct pay letter of credit (the "Original Letter of Credit," which term includes any extensions or renewals thereof) will be

issued by U.S. Bank National Association (the "Bank") in favor of the Trustee in an amount equal to the aggregate principal amount of the Bonds plus 49 days of interest thereon (assuming a maximum interest rate (the "Maximum Rate") on the Bonds during the Variable Rate Period of 12% per annum). The Original Letter of Credit together with any alternate letter of credit delivered in accordance with the Indenture and the Loan Agreement are referred to as the "Letter of Credit." The College has agreed in the Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, calculated at the Maximum Rate, for a period equal to 49 days (or such other period as the rating agency then rating the Bonds may require). If the Letter of Credit is not so maintained, the Bonds are required to be redeemed unless converted to bear interest at a Fixed Rate.

The Original Letter of Credit is to be issued pursuant to a Letter of Credit and Reimbursement Agreement dated as of October 1, 2003 (the "Reimbursement Agreement"), between the College and the Bank. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

For information concerning the Bank, including certain financial information, see Appendix VI hereto. In addition, copies of the Bank's Annual Report for the year ended December 31, 2002 and any more recent Condensed Interim Statements of Condition may be obtained in the manner described in Appendix VI.

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

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices III and IV for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT AND, WITH RESPECT TO THE TERM OF THE ORIGINAL LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT THE ORIGINAL LETTER OF CREDIT BEARS A STATED EXPIRATION DATE OF OCTOBER 7, 2008, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" HEREIN.

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering. This Official Statement must not be used or relied upon by a Holder or purchaser of Bonds in connection with the remarketing of Bonds, the optional tender of Bonds by a Holder, the provision of an Alternate Letter of Credit or conversion of the Bonds to a Fixed Rate.

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 or interest on the Bonds.

Collateral

The Bonds are secured by (a) during the Variable Rate Period, the Letter of Credit; (b) a pledge of amounts payable by the College under the Loan Agreement; and (c) money and investments held by the Trustee under the Indenture (except any money and investments required to be paid to the United States Treasury).

The Bonds are initially secured by the Original Letter of Credit and the purchasers of the Bonds are expected to rely thereon in deciding whether to purchase, hold or sell the Bonds. See "RATING" and "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein.

The Bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College.

Letter of Credit

The ability of the Bank to honor drawings on the Letter of Credit will depend solely on the Bank's general credit. There can be no assurance that the Bank will be able to meet its obligations under the Original Letter of Credit. Certain information with respect to the Bank is set forth in Appendix VI. Such information was provided by the Bank and no representation is made as to the adequacy, accuracy or completeness thereof.

The Original Letter of Credit expires October 7, 2008 subject to extension, at the College's request and with the Bank's consent, as provided in the Reimbursement Agreement. No assurances can be given that the College will be able to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit to secure the Bonds at their stated interest rates and original terms until and including the final stated maturity of the Bonds. In the event of a failure to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit, the Bonds will be subject to redemption in whole unless the Bonds are converted to a Fixed Rate. Interest owing on the Bonds as of such date will be paid as on any other Interest Payment Date.

Redemption, Acceleration, or Purchase Prior to Maturity

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading "THE BONDS – Redemption." The Bonds may be called for redemption prior to maturity on any Interest Payment Date at the option of the College or in certain instances of damage or destruction or condemnation of the Project Facilities.

The Bonds shall be called for redemption if the College fails to replace the Letter of Credit prior to its Termination Date or the Bank fails to extend the Letter of Credit. The Bonds are subject to mandatory tender for purchase upon the substitution of a Letter of Credit or conversion to a Fixed Rate (see "THE BONDS – Mandatory Tender"). The effect on Bondholders of such an acceleration or purchase would be similar to that of early redemption at par. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement" herein and "THE LOAN AGREEMENT – Events of Default" and "THE INDENTURE – Events of Default" in APPENDIX IV – SUMMARY OF DOCUMENTS. The Reimbursement Agreement requires the College to reimburse the Bank for drawings on the Letter of Credit. The failure to make timely reimbursement (and certain other events of default) will result in an acceleration of the Bonds at the option of the Bank.

If for any reason the Bank fails to honor a drawing on the Original Letter of Credit and the College fails to make Loan Repayments when due, the Bonds will be accelerated. In addition, failure of the College to comply with or otherwise satisfy certain terms, covenants, and conditions contained in the Reimbursement Agreement (including the incorporation by reference therein of the Events of Default under the Pledge Agreement, the Loan Agreement and the Indenture), including the failure of the College to reimburse the Bank for drawings under the Original Letter of Credit, will entitle the Bank in its discretion to cause the Trustee to accelerate the Bonds and draw on the Letter of Credit.

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, the Reimbursement Agreement or the other obligations of the College. During the Variable Rate Period, the Bonds are payable solely from drawings under the Original Letter of Credit or any Alternate Letter of Credit and from payments made by the College pursuant to the Loan Agreement.

Nature of Security for the Bonds

The Bonds are payable during the Variable Rate Period from draws under the Letter of Credit. In assessing the security of an investment in the Bonds, investors should rely primarily upon the Letter of Credit and the information contained herein and in Appendix VI regarding the Bank.

Bankruptcy and Receivership

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

CONTINUING DISCLOSURE

The Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Consequently, the College has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure which might otherwise be required by the Rule. The College has not been subject to any previous undertaking and therefore has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events. The College will enter into an undertaking for continuing disclosure following a conversion of the Bonds to a Fixed Rate.

THE BONDS

The sole purpose of this section is to describe terms and provisions of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate, and must not be relied upon following the Conversion Date.

General

The Bonds will be dated the date of initial delivery thereof and will mature October 1, 2033. Interest will be payable on the first Business Day of each month ("Interest Payment Date") commencing November 3, 2003.

The Bonds are issuable only as fully-registered bonds without coupons (initially in Book Entry Form), in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

The Bonds will bear interest at a Variable Rate established by the Rate Setting Agent. From the Issue Date to and including October 8, 2003, the Bonds will bear interest at a rate to be determined by the Rate Setting Agent prior to the Issue Date. Thereafter, the Rate Setting Agent will determine the interest rate weekly as described below. See "THE BONDS – Setting of Interest Rates." Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender and optional and mandatory redemption. See the captions "THE BONDS – Optional and Mandatory Tender" and "THE BONDS – Redemption" herein. The Bonds may be converted to a Fixed Rate as described herein under the caption "THE BONDS – Conversion to a Fixed Rate."

Setting of Interest Rates

The College has appointed RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC to serve as co-Remarketing Agents (jointly, the "Remarketing Agent"). Wells Fargo Brokerage Services, LLC will determine the interest rate on the Bonds pursuant to the Remarketing Agreement for each Weekly Period ending prior to the Conversion Date (in such capacity, the "Rate Setting Agent"). The College or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent. The Rate Setting Agent will determine the Weekly Interest Rate on the Wednesday of each week or the succeeding Business Day if such Wednesday is not a Business Day. The Weekly Interest Rate will be in effect for a period commencing on Thursday of each week and terminating on the following Wednesday.

The Weekly Interest Rate will be the minimum interest rate which, in the sole judgment of the Rate Setting Agent, will enable the Remarketing Agent to sell outstanding 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 Rate Setting 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 (a) 105% of the VariFact™ Rate published by The Bond Buyer for such period, or (b) if the VariFact™ Rate is not published, 80% of the bond equivalent yields (calculated in accordance with standard practice in the banking industry) for the 13-week United States Treasury bills sold at the last United States Treasury auction of such bills prior to the date of determination. Interest during a Weekly Period shall be computed on the basis of the actual number of days elapsed and a year of 365 or 366 days, as appropriate.

The Rate Setting Agent shall give notice to the Trustee, the College, the Tender Agent, the Remarketing Agent and the Bank of the determination of each Weekly Interest Rate. The interest rate determination by the Rate Setting Agent shall be conclusive and binding on the Holders, the College, the Authority, the Bank, the Tender Agent, the Remarketing Agent and the Trustee.

The interest rate on any Bond before the Conversion Date may not exceed 12% per annum (the "Maximum Rate").

Optional and Mandatory Tender

Optional Tender

Prior to the Conversion Date, a Holder may tender Bonds to the Tender Agent for purchase at the principal amount thereof plus accrued interest (the "Purchase Price") on any Business Day at least seven days after the Optional Tender Notice is deemed given by the Holder.

An Optional Tender Notice that is delivered to the Tender Agent at its principal office at or before 4:00 P.M., New York City time, on any Business Day shall be deemed delivered on such Business Day, and if such Notice is delivered after 4:00 P.M., New York City time, it shall be deemed to be delivered on the next succeeding Business Day. Optional Tender Notices are irrevocable upon receipt by the Tender Agent. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the date on which such Bond is to be purchased, which date shall be a Business Day not less than seven days after the date the Optional Tender Notice is deemed delivered. During any period in which the Bonds are in Book-Entry Form, no further deliveries are required to effect the Optional Tender. During any period in which the Bonds are not in Book-Entry Form, such Bond must be delivered (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent) to the Tender Agent, at its principal office, by 9:00 A.M., New York City time, on the Optional Tender Date.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date (when delivery is required during any period in which the Bonds are not in Book-Entry Form), but for which there has been deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Optional Tender Date, and any such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

Mandatory Tender

The Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price on (i) the effective date of the substitution of any Alternate Letter of Credit and (ii) the Conversion Date.

The Trustee shall give notice by mail to the College, the Bank, the Tender Agent, the Remarketing Agent and the Holders of the Bonds subject to such mandatory tender not less than thirty (30) days prior to the Mandatory Tender Date.

In the case of a mandatory tender relating to the substitution of any Alternate Letter of Credit, the Holders may elect not to tender or sell their Bonds, in whole or in part (in Authorized Denominations), by delivery of a Non-Tender Notice not less than ten (10) days prior to the Mandatory Tender Date to the Tender Agent. Such notice shall be irrevocable and shall state the principal amount subject to tender, the number of the Bond, the name of the Holder and the principal amount the Holder elects not to tender. The notice shall also state that the Holder acknowledges that the ratings on such Bonds may be modified, reduced, suspended or withdrawn.

During any period in which Bonds are in Book-Entry Form, the Tender Agent shall purchase any Bond subject to mandatory tender for which a Non-Tender Notice has not been received without further action by the Holder. During any period in which the Bonds are not in Book-Entry Form, each Bond which is not to be retained by the Holder must be tendered to the Tender Agent for purchase on behalf of the College at or before 9:00 A.M., New York City time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the

Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the College at the Purchase Price.

Interest on any Bond which is not to be retained by the Holder and for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Mandatory Tender Date, whether or not actually tendered on the Mandatory Tender Date and the Holder of such Bond shall not be entitled to any payment other than the Purchase Price for such Bond, and such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from funds held by the Tender Agent or the Trustee for such payment.

Tenders Under Book-Entry System

While any Bond is in Book-Entry Form, the term “Tendered Bond” refers to the beneficial ownership interest of the Beneficial Owner. On a Tender Date or upon remarketing, each Bond will be deemed delivered or transferred to a person upon transfer to such person of the beneficial ownership interest therein pursuant to the Book-Entry System.

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to DTC. No Bond in Book-Entry Form (other than a Bond which is to be converted to a fixed rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date.

So long as the book-entry system is in effect, the procedures for tender of Bonds by Beneficial Owners are governed by DTC procedures. See “THE BONDS -- Book Entry System” herein. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

Remarketing and Purchase

On each Optional Tender Date and on each Mandatory Tender Date, the Tender Agent is required to purchase tendered Bonds with funds either derived from the remarketing of tendered Bonds or funds drawn under the Letter of Credit. Funds supplied by the College will not be used to purchase Bonds unless the Bank dishonors a draft for payment under the Letter of Credit. 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.

Conversion to a Fixed Rate

The Indenture provides that the College has the one-time right, to be exercised at any time, to direct the Authority to convert the interest rate on all of the Bonds to a Fixed Rate, effective on any Variable Rate Interest Payment Date. To exercise its option, the College must deliver to the Authority, the Trustee, the Bank, the Tender Agent and the Remarketing Agent written notice thereof at least thirty-five (35) days prior to the Variable Rate Interest Payment Date on which the Fixed Rate is to become effective (the “Conversion Date”) and an opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See “TAX EXEMPTION” herein.

The Trustee shall give notice by mail to the Holders of the conversion to a Fixed Rate not less than thirty (30) days prior to the Conversion Date, specifying, among other things, the Proposed Conversion Date, the Computation Date, which is the date on which the Fixed Rate shall be determined and announced, which shall be not less than fifteen (15) days prior to the Proposed Conversion Date, and stating that the Bonds shall be subject to mandatory tender for purchase on the Conversion Date.

Notwithstanding the foregoing, the College may cancel the conversion to a Fixed Rate at any time on or prior to the last Business Day preceding the Proposed Conversion Date by giving notice to the Trustee, the Authority, the Remarketing Agent, the Tender Agent and the Bank, but only if a Letter of Credit then secures the Bonds. The Trustee shall promptly give Electronic Notice of such cancellation to the Bondholders.

On the Computation Date, the Remarketing Agent shall determine the Fixed Rate, which shall be the annual interest rate, which, in the determination of the Remarketing Agent, if borne by the Bonds until their maturity, would result in the market value of the Bonds on that date being as nearly as practicable 100% of, but not less than, the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders of any affected Bonds shall have no right to tender such Bonds for purchase.

Redemption

Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the College, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption

The Bonds are also subject to optional redemption at par plus accrued interest, in whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities (see "SUMMARY OF DOCUMENTS – The Loan Agreement").

Mandatory Redemption

The Bonds are subject to mandatory redemption in whole but not in part (i) on the last regularly scheduled Interest Payment Date preceding the Termination Date of the Letter of Credit, if the College has failed to deliver to the Trustee at least thirty-five (35) days prior to such Interest Payment Date an extension of the Letter of Credit or an irrevocable commitment of a bank to issue an Alternate Letter of Credit or (ii) on the Business Day following such Interest Payment Date, if the College has failed to deliver to the Trustee by 10:00 A.M. New York City time on such Interest Payment Date an Alternate Letter of Credit, in either case at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the Redemption Date, provided that this provision shall not preclude the College from establishing a Conversion Date at any time on or prior to such Interest Payment Date, in which event Bonds will not be redeemed and will be purchased and remarketed as fixed rate Bonds.

Partial Redemption

If fewer than all of the Bonds at the time outstanding are to be called for optional redemption, the College shall designate to the Trustee the amount of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected randomly, unless otherwise provided in the Indenture, by the Trustee in units of Authorized Denominations. In no event shall such redemption result in less than \$100,000 of Bonds remaining outstanding. The College may direct the Trustee to select randomly from among all the Holders and thereafter select randomly 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. Pledged Bonds shall be selected for redemption prior to any other Bonds except Bonds which have been properly tendered for purchase on optional tender dates occurring on or after the redemption date.

Notwithstanding the foregoing, while the Bonds are in Book Entry Form, DTC shall select Bonds for redemption within particular maturities according to its stated procedures. In no event shall the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the minimum Authorized Denomination.

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 (30) days and, if more than sixty (60) days, then again not less than thirty (30) nor more than sixty (60) days, before the date fixed for such payment, except in the case of a mandatory redemption resulting from the failure to provide an Alternate Letter of Credit. 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.

Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation,

(NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail

information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or redeemed, through its Direct Participant, to the nominee holding the Bonds, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on DTC's records, to the nominee holding the Bonds. The requirement for physical delivery of Bonds in connection with a purchase or redemption will be deemed satisfied when the ownership rights in the Bonds are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of purchased or redeemed Bonds to the nominee holding the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority, at the College's direction, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. Neither the Authority nor the College takes any responsibility for the accuracy thereof.

THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Loan Agreement requires the College at all times during the Variable Rate Period to maintain with the Trustee a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, computed at the Maximum Rate, for a period of 49 days.

The Bank

The Original Letter of Credit will be issued by U.S. Bank National Association (together with the issuer of any Alternate Letter of Credit, the "Bank"). For information concerning the Bank, see Appendix VI to this Official Statement. The information contained in Appendix VI was furnished by the Bank which is solely responsible for such information.

THE ABILITY OF THE BANK TO HONOR DRAWINGS ON THE LETTER OF CREDIT WILL BE BASED SOLELY ON THE BANK'S GENERAL CREDIT. INFORMATION AS TO THE FINANCIAL CONDITION OF THE BANK IS SET FORTH IN APPENDIX VI HERETO.

The Original Letter of Credit

At the time of issuance of the Bonds, the College will cause the Bank to issue the Original Letter of Credit to the Trustee in an original stated amount of \$16,054,532 (the "Original Stated Amount"). The Original Letter of Credit will be an irrevocable, unsecured obligation of the Bank and will have a stated expiration date of October 7, 2008, unless terminated earlier or extended. Until the Expiration Date, as hereinafter defined, the Trustee will be required to draw under the Original Letter of Credit, in accordance with the terms thereof, amounts sufficient to pay (i) the principal portion of the purchase price of Bonds (an "A Drawing"), (ii) the interest portion of the purchase price of Bonds (a "B Drawing"), (iii) the principal portion of Bonds paid at maturity, acceleration or redemption (a "C Drawing"), and (iv) interest accrued and payable on the Bonds other than interest payable as part of the purchase price of the Bonds (a "D Drawing").

The Available Amount (as hereinafter defined) of the Original Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the Available Amount drawn pursuant to an A Drawing, a B Drawing, or a D Drawing will be reinstated unless the Bank notifies the Trustee in writing within ten (10) Business Days after the drawing that the amount drawn will not be reinstated. The amount of any draw pursuant to a C Drawing will not be reinstated. The Available Amount may also be reduced from time to time pursuant to certificates from the Trustee specifying a reduction in the Available Amount. In the event the Bank notifies the Trustee that it will not reinstate the interest portion of the Letter of Credit following an interest drawing, the Trustee is required to accelerate the Bonds.

The purchase price of Bonds shall mean the principal amount of any Bonds purchased with the proceeds of an A Drawing plus the amount of accrued interest on such Bonds paid with the proceeds of a B Drawing (and not pursuant to a D Drawing) upon such purchase. The "Available Amount" of the Original Letter of Credit shall mean the Original Stated Amount (i) less the amount of all reductions pursuant to A Drawings, B Drawings, C Drawings, and D Drawings, (ii) less the amount of any reduction in the Available Amount of the Letter of Credit pursuant to a certificate of the Trustee to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above described.

The "Expiration Date" of the Original Letter of Credit is defined as the earliest to occur of the close of business of the Bank on: (i) October 7, 2008 as such date may be extended annually at the College's request and the Bank's sole discretion, (ii) the date on which the Available Amount is reduced to zero and not reinstated, or (iii) the date on which the Trustee certifies to the Bank that the conditions contained in the Indenture for termination of the Letter of Credit have occurred and the Trustee surrenders the Letter of Credit to the Bank.

Alternate Letter of Credit

The Indenture and the Loan Agreement provide that during the Variable Rate Period the Bonds will be redeemed if the College fails to deliver to the Trustee (i) at least thirty-five (35) days before the last regularly scheduled Interest Payment Date preceding the Termination Date of a Letter of Credit, an irrevocable commitment from a bank to issue an Alternate Letter of Credit and (ii) on such Interest Payment Date an Alternate Letter of Credit and an opinion of counsel for the bank issuing such Alternate Letter of Credit. An Alternate Letter of Credit shall be an irrevocable, direct-pay letter of credit, having a term of at least one year, issued by a commercial bank organized under the laws of the United States or a foreign nation and authorized to do business in the United States, the terms of which are required by the Indenture to be in all material respects the same as the Original Letter of Credit. If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit pursuant to, and meeting the requirements of, the Loan Agreement and in an available amount meeting the requirements specified in the Indenture, and (ii) an opinion of counsel for the bank which is the issuer of the

Alternate Letter of Credit to the effect that the Alternate Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and enforceable against the issuer, subject to bankruptcy and similar laws affecting creditors' rights generally, then the Trustee shall accept such Alternate Letter of Credit and upon the date the Trustee is permitted to draw under such Alternate Letter of Credit promptly terminate and surrender the previously held Letter of Credit to the issuer thereof for cancellation.

The effective date of substitution of any Alternate Letter of Credit shall be a Variable Rate Interest Payment Date and shall also be a Mandatory Tender Date; provided that any Bondholder may elect to retain its Bonds by filing a Non-Tender Notice in accordance with the Indenture.

The Reimbursement Agreement

The Original Letter of Credit will be issued by the Bank pursuant to a Letter of Credit and Reimbursement Agreement, dated as of October 1, 2003 (the "Reimbursement Agreement"), between the Bank and the College, under which the College will agree, among other things, to reimburse the Bank for a drawing under the Letter of Credit on the day the drawing is made. To secure its obligations under the Reimbursement Agreement, the College will deliver a mortgage on the Project Buildings and the Project Site in favor of the Bank. Pursuant to the Reimbursement Agreement, the College will also agree to pay certain fees for issuance and maintenance of the Original Letter of Credit. Pursuant to the Reimbursement Agreement, the College will agree to redeem Bonds according to a schedule determined by the Bank and the College. The Reimbursement Agreement, and the terms, conditions and agreements contained therein, are solely for the benefit of the Bank and must not be relied upon by the Holders of Bonds or the Trustee. **The Reimbursement Agreement may be amended by the Bank and the College without the consent of or notice to the Trustee or the Holders of Bonds.**

Each of the following events constitutes an "Event of Default" under the Reimbursement Agreement:

- a) any amount required to be paid by the College under the Reimbursement Agreement or any other indebtedness of the College to the Bank is not paid when due;
- b) the College shall fail to maintain its existence in its present legal form in good standing under the laws of its jurisdiction of incorporation or the College amends or consents to any amendment of any of the related documents.; or
- c) the College shall fail to provide certain specified financial and other information when due, and such failure is not remedied within 10 calendar days after written notice of such failure is given by the Bank to the College; or
- d) the College shall fail to comply with any other agreement, covenant, condition, provision or term contained in the Reimbursement Agreement (other than those set forth above) and such failure to comply is not remedied within 30 calendar days after written notice of such failure is given by the Bank to the College (unless the Bank shall agree in writing to an extension of such time prior to its expiration), or for such longer period of time (not to exceed 90 days) as may be reasonably necessary to remedy such default (other than defaults which can be cured by a money payment), provided that such default is capable of being remedied and the College is proceeding with reasonable diligence to remedy the same; or

- e) any representation or warranty made by or on behalf of the College in the Reimbursement Agreement or any other related document or by or on behalf of the College or any Subsidiary in any certificate, statement, report or document herewith or hereafter furnished to the Bank pursuant to the Reimbursement Agreement or any related document shall prove to have been false or misleading in any material respect on the date as of which the facts set forth are stated or certified; or
- f) the College shall become insolvent or shall generally not pay its debts as they mature or shall apply for, shall consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver of the College or for a substantial part of the property thereof or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for the College or for a substantial part of the property thereof and shall not be discharged within 30 days; or
- g) any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law shall be instituted by or against the College, and, if instituted against the College, shall have been consented to or acquiesced in by the College, or shall remain undismissed for 30 days, or an order for relief shall have been entered against the College; or
- h) any dissolution or liquidation proceeding shall be instituted by or against the College and, if instituted against the College, shall be consented to or acquiesced in by the College or shall remain for 30 days undismissed; or
- i) A judgment or judgments for the payment of money in excess of the sum of \$100,000 in the aggregate shall be rendered against the College and either (i) the judgment creditor executes on such judgment or (ii) such judgment remains unpaid or undischarged for more than the longer of 30 days from the date of entry thereof or such longer period during which execution of such judgment shall be stayed during an appeal from such judgment.
- j) any Event of Default or Default shall occur under any related document;
- k) any Event of Default or Default shall occur under the Revolving Credit Agreement by and between the College and the Bank dated as of June 12, 2001 as amended; or
- l) the maturity of any material indebtedness of the College (other than indebtedness under the Reimbursement Agreement) shall be accelerated, or the College shall fail to pay any such material indebtedness when due (after the lapse of any applicable grace period) or, in the case of such indebtedness payable on demand, when demanded (after the lapse of any applicable grace period), or any event shall occur or condition shall exist and shall continue for more than the period of grace, if any, applicable thereto and shall have the effect of causing, or permitting the holder of any such indebtedness or any trustee or other Person acting on behalf of such holder to cause, such material indebtedness to become due prior to its stated maturity or to realize upon any collateral given as security therefor. For purposes of this clause, indebtedness of the College shall be deemed "material" if it exceeds \$100,000 as to any item of indebtedness or in the aggregate for all items of indebtedness with respect to which any of the events described in this Section has occurred.

Upon the occurrence and during the continuance of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies under the Reimbursement Agreement or by law provided:

- a) The Bank may, by written notice to the College, declare all obligations of the College under the Reimbursement Agreement to be immediately due and payable, whereupon such obligations shall become immediately due and payable.
- b) The Bank may make demand upon the College and forthwith upon such demand the College shall pay to the Bank in Immediately Available Funds for deposit in a special cash collateral account maintained with the Bank (the "Cash Collateral Account") an amount equal to the maximum amount then available to be drawn under the Letter of Credit (assuming compliance with all conditions for drawing thereunder). The Cash Collateral Account is subject to the terms specified in the Reimbursement Agreement.
- c) The Bank may offset any deposits of the College held by the Bank (including those held by the Bank in the Cash Collateral Account and any unmatured time deposits) against sums due or to become due hereunder or against any other indebtedness then owed by the College to the Bank, whether or not then due.
- d) The Bank may exercise any remedy available to it under any other related document.
- e) The Bank may take whatever action at law or in equity that may appear necessary or appropriate to collect any amount due or thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the College under the Reimbursement Agreement or under any other related document.
- f) Notwithstanding any of the foregoing, the Bank will not apply any funds on deposit in the Cash Collateral Account (or any other deposits of the College held by the Bank) to the payment or reimbursement of any drawing under the Letter of Credit unless and until such drawing has been honored by the Bank from its own funds.

USE OF PROCEEDS

The Project

Proceeds of the Bonds will be loaned to the College. The Bond proceeds will be used to:

- (1) construct, renovate and expand a Student Center,
- (2) construct, renovate and expand classroom space with enhanced technology,
- (3) expand and upgrade the facility infrastructure, and
- (4) pay certain issuance costs.

Perkins & Will, with offices in Minneapolis, Minnesota, is the architect for the Project. McGough Construction ("McGough"), Saint Paul, Minnesota, is the general contractor and the construction manager for the Project. Dunham Associates, Minneapolis, Minnesota, is providing mechanical engineering services for the project. The College expects to enter into guaranteed maximum price contracts with McGough in October 2003.

Construction is expected to commence in October 2003 and be completed by August 2004.

ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

<u>Sources of Funds</u>	
Bond Proceeds	<u>\$15,800,000</u>
 <u>Uses of Funds</u>	
Project costs	\$15,527,630
Costs of Issuance (includes letter of credit fees)	<u>272,370</u>
 Total Uses	 <u>\$15,800,000</u>

In the event Bond issuance costs, including Underwriters' discount, exceed 2% of the Bond proceeds, defined as par less original issue discount, such excess shall be paid by the College from other than Bond proceeds.

SOURCE OF PAYMENT FOR THE BONDS

General

The Bonds will be special obligations of the Authority payable solely from Loan Repayments 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, during the Variable Rate Period, drawings under the Letter of Credit.

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement to make such payments out of its operating funds or any other moneys legally available. The College covenants and agrees: to charge tuition fees, other fees, rentals and charges which, together with the College's general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due.

During the Variable Rate Period, the Bonds will be secured by draws under the Original Letter of Credit or Alternate Letter of Credit, as described under "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

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

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 the proceeds of the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement and moneys from draws under the Letter of Credit are to be deposited. These accounts include a Construction Account, a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The Bond Purchase Fund, the Bond and Interest Sinking Fund, and the Redemption Account each include a General Account and a Letter of Credit Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments, proceeds of remarketing or proceeds of draws under the Letter of Credit are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Account or 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 when due.

Construction Account

There shall be deposited initially into the Construction Account the net proceeds of the Bonds. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of the College's available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal less original issue discount). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption 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) into a separate sub-account of the General Account, but not including any moneys received from the Authority or the College and (b) all other moneys (except moneys available pursuant to the Letter of Credit) which are required or directed to be deposited to the Bond Purchase Fund. There shall be deposited to the Letter of Credit Account in the Bond Purchase Fund all moneys drawn by the Trustee pursuant to the Letter of Credit.

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, (b) amounts in the Letter of Credit Account and (c) 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 make a drawing under the Letter of Credit in an amount which will be sufficient, together with the funds available under clause (a), to pay the Purchase Price.

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in either the Letter of Credit Account or the General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or the Mandatory Tender Date, authorize the payment of such balance first to the Bank, but only to the extent of amounts due under the Reimbursement Agreement, and then to the College.

Bond and Interest Sinking Fund Account

There shall be deposited into the General Account of the Bond and Interest Sinking Fund Account transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. There shall be deposited to the Letter of Credit Account of the Bond and Interest Sinking Fund Account all moneys drawn by the Trustee under the Letter of Credit to pay interest on any Bond (except Corporation Bonds) on any Interest Payment Date and principal on any Bond (except Corporation Bonds) on the Stated Maturity or acceleration thereof.

Funds for the payment of principal of and interest on the Bonds (other than Corporation Bonds) on a Stated Maturity, acceleration or Interest Payment Date are to be derived from the following sources in the order of priority indicated: (i) amounts in the Letter of Credit Account of the Bond and Interest Sinking Fund Account derived from the Letter of Credit for such purpose; and (ii) amounts in the General Account of the Bond and Interest Sinking Fund Account.

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

While the Bonds bear interest at the Variable Rate, the Reserve Requirement is zero and there shall be no deposit into the Reserve Account prior to the Conversion Date.

Redemption Account

All deposits to the Redemption Account will be made to the General Account unless specified to be deposited in the Letter of Credit Account by the Indenture, the Loan Agreement or the Letter of Credit. There shall be deposited into (a) the Letter of Credit Account of the Redemption Account, all moneys drawn by the Trustee under the Letter of Credit for optional or mandatory redemption during the Variable Rate Period and all income derived from the investment of such moneys, and (b) the General Account of the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

Amounts on deposit to the credit of the General Account of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Reserve Account (after the Conversion Date), in the order listed, and, second, for the redemption of outstanding Bonds at the request or direction of the College or for the purchase of outstanding Bonds on the market at the request of the College at prices not exceeding the redemption price on the next available date for redemption or to pay any unpaid obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the General Account of 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 or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Funds for the payment of the principal on the Bonds upon redemption shall be disbursed by the Trustee in the following order of priority: (i) amounts in the Letter of Credit Account of the Redemption Account derived from the Letter of Credit for such purpose, and (ii) amounts in the General Account of the Redemption Account.

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 Construction Account, the General Account of the Bond and Interest Sinking Fund Account, the Reserve Account, the General Account of the Bond Purchase Fund and the General Account of the Redemption Account shall be invested by the Trustee as the College directs only in investments as authorized by law from time to time which are generally as follows currently: 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, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; money market funds, 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 fully collateralized by such obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; 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 investments in the Letter of Credit Accounts of the various funds and type and maturity of investments.

FUTURE FINANCING

The College regularly improves and expands its physical plant and incurs long-term financing as needed for those purposes. The College does not anticipate financing any such projects with debt within the next twelve months.

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. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000. Prior to that, Ms. Remedios was the partner in charge of bond counsel services to the Authority at Faegre & Benson LLP, Minneapolis, Minnesota.

Elaine J. Yungerberg has been Assistant Executive Director of the Authority since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$800 million. The Authority has had 136 issues (including refunded and retired issues) totaling \$966,463,307, of which \$570,072,786 is outstanding as of September 1, 2003. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues 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.

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. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. 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.

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 operations of the Authority are 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, Advisors to the Public Sector, of Saint 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 RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC as Underwriters. The Underwriters have agreed to purchase the Bonds at a purchase price of \$15,734,430.

The Underwriters intend to offer the Bonds to the public initially at the offering price set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

The College has agreed in the Bond Purchase Agreement to indemnify the Underwriters and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

Wells Fargo Brokerage Services, LLC is a separate subsidiary of Wells Fargo and Company and is not a bank. It is a registered broker/dealer, a member of the National Association of Security Dealers, and a member of the Security Investors Protection Corporation. Wells Fargo Brokerage Services, LLC is an affiliate of banks owned by Wells Fargo and Company. No affiliate is responsible for the securities sold by Wells Fargo Brokerage Services, LLC. Unless so indicated, any investments recommended, offered or sold by Wells Fargo Brokerage Services, LLC are not insured by the Federal Deposit Insurance Corporation.

RATING

As noted on the cover hereof, Moody's Investors Service ("Moody's") has assigned a long-term rating of "Aa2" and a short-term rating of "VMIG1" to the Bonds, conditioned on the issuance of the Letter of Credit by the Bank. The rating reflects only the view of such rating agency. Further information concerning the rating is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that either rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are unaware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either party to perform as described therein, or 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 Best & Flanagan LLP, 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, Saint Paul and Minneapolis, Minnesota; for the Bank by Dorsey & Whitney LLP, Minneapolis, Minnesota; and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota.

Although the Underwriters, the College and the Authority are represented in connection with the issuance and sale of the Bonds by Faegre & Benson LLP, Briggs and Morgan, Professional Association and Best & Flanagan LLP, respectively, Faegre & Benson LLP and Briggs and Morgan, Professional Association have previously acted as bond counsel for the Authority on other bond issues. In the future, any of these law firms may perform services for the Authority, the Underwriters, other underwriters, or the College, and no limits are imposed as a result of the issuance of the Bonds on the ability of any of these law firms to act as bond counsel or represent any of these or other parties in any future transactions.

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 the facilities financed 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 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 the 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, 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.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Best & Flanagan LLP, 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 net 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.

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 are 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 or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code 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 (the “College”), located in St. Paul, Minnesota, is a private, independent and nonprofit institution of higher learning offering a Juris Doctor degree to its students. The College is accredited by the American Bar Association and is a member of the Association of American Law Schools.

The College is committed to its tradition of making a high-quality legal education accessible to a diverse and talented student body. Its highest values include: linking theory and practice; excellence in teaching; serving nontraditional students; flexible program and schedule; affordable legal education; ethics and skills training; fostering and improving the quality of justice.

William Mitchell’s respected academic program incorporates many elements of classical U.S. legal education, including the case-study method, with other effective teaching and learning methods and opportunities. Legal theory, ethics, and skills education are integrated in the program from the student’s first day of school.

Governance

The College’s current By-Laws provide for a Board of Trustees of not fewer than 15 or more than 38 persons, including one Trustee nominated by the Alumni/ae Board. Trustees are elected at the annual meeting of the Board of Trustees or at a special meeting called for that purpose. Trustees serve for a three-year term and may succeed themselves in office. In order to provide for staggered terms, approximately one-third of the Trustees are elected to three-year terms each year. No Trustee serves for more than nine (9) years of continuous service.

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* Executive Committee Members

Administration

The principal officers of the College are as follows:

President and Dean

Harry J. Haynsworth received his A.B. from Duke University in 1961, his J.D. from Duke University in 1964, and his M.A.R. from Lutheran Theological Southern Seminary in 1989. Mr. Haynsworth was admitted to the bar in South Carolina in 1965. He was a partner in the firm of Haynsworth, Perry, Bryant, Marion & Johnstone in Greenville, South Carolina from 1964-71. He was an Associate Professor at the University of South Carolina School of Law from 1971-74, a Professor there from 1974-90, and Associate Dean from 1975-76. He was Acting Dean at Southern Illinois University School of Law from 1985-86 and Dean and Professor from 1990-95. Mr. Haynsworth has been the College's President and Dean, as well as a Professor, since 1995. Dean Haynsworth plans to retire on June 30, 2004. A Search Committee chaired by Board of Trustees Vice Chair Anita Pampusch is conducting a national search for a new Dean. A new Dean is expected to be named in January 2004.

Vice Dean for Academic Affairs

Matthew P. Downs received his B.A. in 1975 from Houghton College, his J.D. in 1978 from Pepperdine, his M.S.L.S. in 1978 from California State University Fullerton and his LL.M. in 1993 from Katholieke Universiteit Leuven in Belgium. Dean Downs was admitted to the Illinois Bar in 1982 and to the Minnesota Bar in 1997. He served as Asst. Professor, Librarian, and

Asst. Dean at Valparaiso from 1978-83. At William Mitchell College of Law, he was the Librarian from 1983-90; Associate Professor, 1983-87; Professor, 1987-; Assoc. Dean for Academic Affairs, 1983-91 and 2000-2002; Vice Dean, 2002-. Prof. Downs concentrates on business and international organizations and law of the European Union. He has taught throughout the world, including Thailand, Croatia, and Hungary. He strives to bring a global perspective to the classroom, stressing the importance of building cross-border relationships.

Chief Administrative Officer

Maureen E. Warren received her B.A. in 1979 from the College of St. Catherine and her J.D. in 1982 from the University of Minnesota Law School. She served as the Director of Intergovernmental Relations/Policy Aide to the Mayor of the City of St. Paul, MN from 1982-1986. She was an attorney at the law firm of Briggs and Morgan in St. Paul from 1986-1990. She served as Senior Government Affairs Counsel for the St. Paul Companies, a major property and casualty insurance company from 1990-1993. In January 1993, she was appointed by United States Housing and Urban Development (HUD) Secretary Henry G. Cisneros as Deputy Director of HUD's Special Actions Office. She was Vice-President for Housing and Community Development at Fannie Mae from 1995 until August 2002. She has served as the Chief Administrative Officer of William Mitchell College of Law since August 2002.

Dean of Students

James H. Brooks received his B.S. and M.A. degrees from Wake Forest University and holds an Ed. D. degree from the Catholic University of America. He was appointed Dean of Students at William Mitchell College of Law in 1983 following ten years of experience in higher education administration, with a specialty in student services.

Director of Finance

Susan Aspelund received her B.S. degree *magna cum laude* in 1979 from Mankato State University. She served in a variety of increasingly responsible accounting positions for Best Products Company and later Best Buy Co. from 1980 through 1992, when she served as Assistant Director of Accounting Operations for Best Buy, Co. She served as Controller of the Minnesota Opera from 1992-1997. She was Vice President for Finance and Administration for COMMON-A Users Group located in Minnetonka, MN in 1999-2000 and was a Systems Consultant for Chex Services in 2001. She joined the College in May 2002.

Vice President for Development and Alumni Relations

Mark J. Marshall received his B.A. in 1989 from Saint Olaf College. He served as Associate director for Development for Marian Catholic High School in Chicago Heights, Il form 1989-1992. Marshall joined the University of Minnesota Medical Foundation in 1992 and served until March 2002 in a variety of progressively responsible positions including Director of Alumni Relations and Special Projects, Major Gifts Officer and Director of Development Special Programs. Since March 2002, he has led a staff of ten full-time employees and served as Vice President for Development and Alumni Relations at William Mitchell College of Law.

Facilities

The College's physical plant consists of four buildings located on a six-acre campus on Summit Avenue in Saint Paul. The four law school buildings house classrooms, the law library, legal services clinic offices and the college's administrative offices. In July 2003, the appraised value of the College's physical plant was \$20.5 million.

Library

The College's Warren E. Burger Library is a 62,000 gross square foot facility. It houses a collection of approximately 318,700 volumes. 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.

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.

With more than 100 courses, clinics and externships the academic program strikes a balance between the intellectual and practical components of a legal education. Of note are several of the College's special programs. The WRAP program has been praised by both the ABA and AALS. All first year students participate in a rigorous skills course called Writing & Representation: Advice & Persuasion; mastering research, reasoning and writing skills, client interviewing and counseling, contract negotiation and drafting, dispute mediation and pre-trial litigation. In the second or third year, students take Writing & Representation: Advocacy; an introduction to researching legislative process and administrative materials, conducting discovery, examining witnesses, introducing exhibits, making opening and closing statements, and presenting appellate arguments in writing and orally. The clinical program is designed to offer hands-on experience in practicing law as well as convey the importance of public service. This nationally recognized program was one of the first to be established at a U.S. law school, and has been in place for more than 30 years. The college was a pioneer in introducing the Legal Practicum to U.S. legal education; a program providing students the opportunity to work as a two-person law firm handling a series of simulated cases, under the supervision and guidance of a faculty member and experienced, practicing lawyers and judges from the community. The externship program puts students to work as clerks, advocates, or researchers with judges, administrative agencies, and government or advocacy organizations. The comprehensive curriculum includes the following areas of focus: alternative dispute resolution (ADR), business law, commercial law, criminal law, employment law, estate planning, family law, government, Intellectual property law, international and comparative law, personal injury and torts, real estate law, taxation and trial advocacy. William Mitchell students consistently compare well in competitions with students from other law schools.

The College belongs to the Consortium for Innovative Legal Education (CILE) in a partnership with California Western School of Law in San Diego, New England School of Law in Boston, and South Texas College of Law in Houston. CILE is the only consortium program of its kind in the United States, offering students an opportunity to participate in programs and classes at any

of the other three CILE law schools. CILE also offers several options for earning a law degree while living in a foreign country. There are summer foreign programs in Galway, Ireland, London, England, and the island of Malta, and semester-abroad programs in Aarhus, Denmark, and Leiden, the Netherlands.

William Mitchell also offers a Dual Degree program in partnership with Minnesota State University, Mankato (MSU). The College and MSU will each accept up to nine elective credits from the other institution (a total of 18 credits), permitting students to obtain both degrees more quickly and less expensively than by pursuing each individually. The College's Juris Doctor degree may be combined with Masters degrees from MSU in Community Health, Public Administration, or Women's Studies.

Faculty and Staff

The ratio of students to full-time faculty at the College is approximately 23 to 1.

In addition to the 38 full-time faculty, 65 doctrinal adjunct faculty and 100 adjunct skills professors also teach at the College. Regular full- and part-time staff and administrators number 104.

William Mitchell's faculty members have substantial experience in legal practice, demonstrate a commitment to community service, feel strongly about the mission of legal education and are distinguished by their teaching, publishing and scholarly activities. 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 vice chair of the ABA Tax Section's Committee on UCC and chair of the Subcommittee on Electronic Commerce, the Reporter for the Uniform Limited Partnership Act (2001) of the National Conference of Commissioners on Uniform State Laws, the chair of the ABA Section of Intellectual Property's Committee on Pictorial, Graphic, Sculptural and Choreographic Works, three Fulbright Scholar recipients, the former National President of the National Lawyers Guild, and the Executive Director of the Institute for Advanced Dispute Resolution. The text The Process of Legal Research: Successful Strategies, authored by William Mitchell faculty and in its fifth edition, has been widely adopted in U.S. law schools.

All 38 full-time faculty members hold the J.D. degree, and 15 hold additional graduate degrees in law or related disciplines.

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>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04*</u>
Applications	972	939	1,022	1,162	1490
Acceptances	638	623	670	740	819
% Accepted	66%	66%	66%	64%	55%
Enrolled (FT & PT)	352	314	319	331	359
% Enrolled to Accepted	55%	50%	48%	48%	44%
Total Enrolled	1,079	999	1,015	1,038	1,104

* as of September 1, 2003

Student Body

The fall semester 2003-04 enrollment for the J.D. program was 639 full-time and 465 part-time students. Approximately 50.5% were women and 11.4% 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 costs of its educational programs primarily through tuition and fees. The following table lists the schedule of charges for a full-time resident student for the past five years:

	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Juris Doctor					
Full-time (per year)	\$ 18,090	\$ 19,000	\$ 20,040	\$ 21,140	\$ 22,500
Part-time (per year)	\$ 13,140	\$ 13,800	\$ 14,630	\$ 15,360	\$ 16,300

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.

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>
1999	\$ 15,087,750
2000	\$ 16,006,758
2001	\$ 16,740,592
2002	\$ 18,240,860
2003*	\$ 19,327,274

* 11-month fiscal year

Financial Aid

Approximately 96% of the College's students received financial aid in some form during the 2002-03 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.

<u>Source</u>	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
College	\$ 1,966,172	\$ 2,521,290	\$ 2,790,789	\$ 3,333,543	\$ 3,262,433
Private	<u>23,045</u>	<u>22,210</u>	<u>15,100</u>	<u>19,200</u>	<u>11,600</u>
Total	\$ 1,989,217	\$ 2,543,500	\$ 2,805,889	\$ 3,352,743	\$ 3,274,033
Loans	\$ 14,434,081	\$ 14,870,167	\$ 15,108,243	\$ 16,762,509	\$ 18,254,060
Workstudy	<u>242,699</u>	<u>258,804</u>	<u>231,951</u>	<u>310,512</u>	<u>306,246</u>
Grand Total	<u>\$ 16,665,997</u>	<u>\$ 17,672,471</u>	<u>\$ 18,145,083</u>	<u>\$ 20,425,764</u>	<u>\$ 21,834,339</u>
Number of students receiving financial aid	806	838	849	942	995

Pension Plans

The College sponsors a defined contribution retirement plan for all full-time employees. Benefits are paid based on amounts contributed plus all earnings in the plan. The College contributes an amount equal to the contribution of each employee, up to a maximum contribution of 5% of the employee's salary. For the years ended July 31, 2002 and 2001, the College paid \$344,421 and \$328,086, respectively, to the plan on behalf of its employees.

In addition, for each full-time employee's flexible benefit bank, the College contributes \$3,700 plus an amount equal to 5% of the employee's salary. During fiscal years 2002 and 2001, the College paid \$981,617 and \$1,001,979, respectively, for flexible benefits.

The College also sponsors a deferred compensation 457(f) plan for certain full-time employees.

Unions

The International Brotherhood of Teamsters Local 503 represents eleven 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, 2001 through July 31, 2004.

Capital Campaign and Annual Fund

In 1999, the College announced a \$20 million fund raising campaign to support the College's strategic initiatives, including approximately \$3.5 million for renovation of the student center and construction of new classroom space. As of August 31, 2003, the College has received \$14.3 million in gifts and pledges. The Capital Campaign is scheduled to run through the 2004/2005 fiscal year. The College also conducts an Annual Fund program that generated \$378,611 in contributions to the College in fiscal year 2002.

Campaign gifts are continuing to be solicited primarily from alumni of the College, current students, parents and other friends of the College, as well as from corporations and other business organizations and private foundations.

Endowment and Endowment Spending Policy

The Investment Committee of the Board of Trustees has adopted an Investment Policy for the College that governs the investment of the College's endowment funds. The College's Endowment Spending Policy adopted by the Board of Trustees provides that the College may spend 5% of the three-year moving average of the ending market value of investments, to be distributed on a quarterly basis.

Summary of Net Assets and Investments

The following two tables display a five-year history of the College's Net Assets and Investments, itemized as Unrestricted, Temporarily Restricted, and Permanently Restricted.

NET ASSETS				
Fiscal Year ended July 31	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2002	\$ 15,674,411	\$ 2,952,247	\$ 5,324,704	\$ 23,951,362
2001	\$ 17,366,776	\$ 3,868,645	\$ 4,861,244	\$ 26,096,665
2000	\$ 21,383,614	\$ 2,421,108	\$ 3,675,722	\$ 27,480,444
1999	\$ 20,613,646	\$ 1,807,938	\$ 3,493,998	\$ 25,915,582
1998	\$ 19,678,653	\$ 1,001,103	\$ 2,496,846	\$ 23,176,602

INVESTMENTS	
Fiscal Year ended July 31	Total
2002	\$ 14,264,000
2001	\$ 16,744,662
2000	\$ 17,925,593
1999	\$ 16,994,000
1998	\$ 15,753,000

Presentation of Financial Statements

Appendix VI sets forth the financial statements of the College for fiscal years ended July 31, 2002 and 2001.

The College has elected to change its fiscal year beginning with fiscal year 2004. Fiscal Year 2003 began on August 1, 2002 and ran through June 30, 2003, a period of 11 months. For Fiscal 2004 and later, the Fiscal Year will begin on July 1, 2003 and run through and including the next succeeding June 30.

Long-Term Debt of the College

As of August 31, 2003 the College has no outstanding long-term debt. Upon closing on the Bonds, the College's long-term debt will consist of the Bonds in the amount of \$15,800,000.

Summaries of Unrestricted Funds Revenues, Expenditures and Transfers

The following table summarizes the College's statements of unrestricted activities prepared in accordance with GAAP for the Fiscal Years 1998 through 2002. For more complete information of the College for the Fiscal Years ended July 31, 2002 and 2001, see Appendix V of this Official Statement.

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**WILLIAM MITCHELL COLLEGE OF LAW
STATEMENT OF UNRESTRICTED ACTIVITY
FISCAL YEAR END JULY 31,**

	1998	1999	2000	2001	2002
SUPPORT AND REVENUE					
Gross Tuition and Fees	\$ 14,601,456	\$ 15,087,750	\$ 16,006,758	\$ 16,740,592	\$ 18,240,860
Less:					
Internally Funded Scholarships	(1,420,231)	(1,719,376)	(2,265,937)	-	-
Externally Funded Scholarships	(181,568)	(239,549)	(256,636)	-	-
Scholarships	-	-	-	(2,795,411)	(3,333,138)
Net Tuition and Fees	<u>\$ 12,999,657</u>	<u>\$ 13,128,825</u>	<u>\$ 13,484,185</u>	<u>\$ 13,945,181</u>	<u>\$ 14,907,722</u>
Gifts, Donations and Pledges	533,415	683,588	542,212	474,208	378,611
Federal Government Grants	124,870	200,113	203,087	180,580	220,962
Interest Income	194,898	131,841	292,415	-	-
Investment Income at Spending Rate	-	-	-	654,538	662,569
Endowment Income	443,888	258,635	-	-	-
Net Realized and Unrealized Gains	758,847	-	-	-	-
Net Realized Gain	-	444,712	516,143	-	-
Net Unrealized Gain	-	902,534	557,432	-	-
Auxiliary and Enterprise Activities	189,255	145,415	-	-	-
Other Income	444,376	464,930	580,077	604,432	636,497
The Centers for Law and Leadership:	186,515	343,551	-	-	-
Programs and Services	-	-	336,380	137,982	130,043
Grants and Contracts	-	-	363,626	216,458	315,157
Net Assets Released from Restrictions	44,130	37,203	456,287	269,270	1,350,627
Total Support and Revenue	<u>\$ 15,919,851</u>	<u>\$ 16,741,347</u>	<u>\$ 17,331,844</u>	<u>\$ 16,482,649</u>	<u>\$ 18,602,188</u>
EXPENSE					
Program:					
Instructional	\$ 6,687,214	\$ 6,632,813	\$ 7,185,370	\$ 7,614,979	\$ 7,619,595
Library	2,853,322	2,706,994	2,885,425	2,988,702	3,105,216
Student Support	1,400,476	1,370,455	1,556,168	1,583,449	1,640,040
Auxiliary and enterprise activities	284,425	298,395	-	-	-
Centers for Law and Leadership	-	570,100	929,103	594,030	745,183
Total Program Expense	<u>\$ 11,225,437</u>	<u>\$ 11,578,757</u>	<u>\$ 12,556,066</u>	<u>\$ 12,781,160</u>	<u>\$ 13,110,034</u>
Support:					
General and Administrative	\$ 3,411,536	\$ 3,492,744	\$ 3,668,234	\$ 3,810,727	\$ 4,015,798
Funding Raising	565,421	645,269	1,013,808	858,860	671,591
Total Support Expense	<u>\$ 3,976,957</u>	<u>\$ 4,138,013</u>	<u>\$ 4,682,042</u>	<u>\$ 4,669,587</u>	<u>\$ 4,687,389</u>
Total Expense	<u>\$ 15,202,394</u>	<u>\$ 15,716,770</u>	<u>\$ 17,238,108</u>	<u>\$ 17,450,747</u>	<u>\$ 17,797,423</u>
CHANGE IN OPERATING NET ASSETS	<u>\$ 717,457</u>	<u>\$ 1,024,577</u>	<u>\$ 93,736</u>	<u>\$ (968,098)</u>	<u>\$ 804,765</u>
NON-OPERATING ACTIVITY					
Investment Income Greater than Spending Rate	\$ -	\$ -	\$ -	\$ (1,108,491)	\$ (1,734,561)
Investment Income Allocation to Operating Activity	-	-	-	-	(662,569)
Total Non-Operating Activity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,108,491)</u>	<u>\$ (2,397,130)</u>
CHANGE IN NET ASSETS	<u>\$ 717,457</u>	<u>\$ 1,024,577</u>	<u>\$ 93,736</u>	<u>\$ (2,076,589)</u>	<u>\$ (1,592,365)</u>
Net Assets -- Beginning as Previously Stated	\$ 18,961,196	\$ 19,678,653	\$ 20,703,230	\$ 19,443,365	\$ 17,366,776
Prior period adjustment	-	-	(1,353,601)	-	-
Net Asset Reclassification	-	-	-	-	(100,000)
Net Assets -- Beginning as Restated	<u>\$ 18,961,196</u>	<u>\$ 19,678,653</u>	<u>\$ 19,349,629</u>	<u>\$ 19,443,365</u>	<u>\$ 17,266,776</u>
NET ASSETS -- ENDING	<u>\$ 19,678,653</u>	<u>\$ 20,703,230</u>	<u>\$ 19,443,365</u>	<u>\$ 17,366,776</u>	<u>\$ 15,674,411</u>

Source: Financial Statements of the College

PROPOSED FORM OF LEGAL OPINION

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October 2, 2003

**\$15,800,000 Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Five-S (William Mitchell College of Law)**

We have acted as Bond Counsel in connection with the issuance of the Bonds described above. We have examined the law and certified copies of the proceedings and other certificates of public officials furnished to us in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority"), of its \$15,800,000 Variable Rate Demand Revenue Bonds, Series Five-S (William Mitchell College of Law) (the "Bonds"). We have examined the law and such other certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations of the Authority and William Mitchell College of Law, a Minnesota nonprofit corporation (the "College"), contained in the Loan Agreement dated as of October 1, 2003 (the "Loan Agreement") between the College and the Authority, the Indenture of Trust dated as of October 1, 2003 (the "Indenture") between the Authority and U.S. Bank National Association, in Saint Paul, Minnesota (the "Trustee"), the Bond Purchase Agreement among the Authority, the College and RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC, the Opinion of Briggs and Morgan, Professional Association, Saint Paul, Minnesota, of even date herewith, as counsel to the College, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the College without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), it is our opinion that:

- (a) The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota, with authority under Minnesota Statutes, Sections 136A.25 to 136A.42, as amended (the "Act"), to issue the Bonds, to loan the proceeds thereof to the College pursuant to the Loan Agreement and to execute and deliver the Indenture to secure the Bonds;

(b) the Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and create valid and binding special obligations of the Authority, enforceable upon the Authority in accordance with their terms;

(c) the proceedings show lawful authority for the issuance of the Bonds under the Indenture and under the provisions of the Constitution and laws of the State of Minnesota now in force, including the Act;

(d) the Bonds have been duly and validly executed and delivered by the Authority and are valid and binding special obligations of the Authority, enforceable in accordance with their terms, secured by and entitled to the benefits provided by the Indenture; the Bonds are payable solely from the revenues and other sums irrevocably pledged to the payment of the Bonds and interest thereon under the Indenture;

(e) the Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit or taxing powers, but are payable solely from the revenues in accordance with the provisions of the Indenture; and

(f) as of their date of issuance, the Bonds are not arbitrage bonds; and interest on the Bonds is excluded from gross income for United States income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"); and is excluded to the same extent in computing taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, for the purpose of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the first sentence of this paragraph is subject to the conditions that the Authority, the Trustee and the College comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the College have covenanted to comply with such requirements. We express no opinion regarding other federal or state tax consequences arising with respect to ownership of the Bonds, including the receipt or accrual of interest thereon.

It is to be understood that the rights of the owners 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 appropriate cases.

Dated at Minneapolis, Minnesota this 2nd day of October, 2003.

BEST & FLANAGAN LLP

DEFINITION OF CERTAIN TERMS

Act: Sections 136A.25 through and including 136A.42, Minnesota Statutes, as amended.

Alternate Letter of Credit: An irrevocable, direct-pay letter of credit delivered to the Trustee in accordance with the Indenture and the Loan Agreement to replace the Letter of Credit then in existence.

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 College and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

Authorized Institution Representative: The President and Dean, the Chief Administrative Officer or any other 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 or the Secretary of its Board of Trustees or any officer of the College. Such certificate may designate an alternate or alternates.

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

Bank: U.S. Bank National Association, as the issuer of the Original Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the original Reimbursement Agreement; upon the issuance of any Alternate Letter of Credit, "Bank" means the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns until full payment and satisfaction of the Letter of Credit Obligations under the applicable Reimbursement Agreement.

Beneficial Owner: With respect to any Authorized Denomination of a Bond in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf such authorized denomination of Bond is held by the Depository.

Board of Trustees: The Board of Trustees of the College, including any 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 Closing: The original issuance, sale and delivery of the Bonds.

Bond Purchase Agreement: The Bond Purchase Agreement relating to the Bonds among the Authority, the Underwriters, and the College.

Bond Purchase Fund: The trust fund created in the Indenture, including the General Account and the Letter of Credit 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 18, 2003, authorizing the Series Five-S 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 Five-S (William Mitchell College of Law).

Book-Entry Form: All Bonds, if such Bonds are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the College, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates.

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its participants.

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 on the Project Site acquired with funds other than the proceeds of the Bonds.

Business Day: (i) When Bonds bear interest at a Variable Rate, any day other than a Saturday, a Sunday, a day on which banking institutions located in the City of Saint Paul, Minnesota, the City of New York, New York, or 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 or of the Bank through which the Letter of Credit is issued are located are required or authorized by law to remain closed and other than a day on which the New York Stock Exchange is closed, and (ii) when Bonds bear interest at a Fixed Rate, any day 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 required or authorized by law to remain closed.

College: William Mitchell College of Law, a Minnesota nonprofit corporation, its successors and assigns, as owner and operator of the Institution.

Computation Date: The date on which the Fixed Rate is to be determined in the case of conversion to a Fixed Rate, which shall be not less than 15 days prior to the Proposed Conversion Date.

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

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.

Corporation 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, was 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 or the Authority, including, but not limited to, Pledged Bonds.

Date of Taxability: The date as of which interest on the Bonds shall be determined to be includable in gross income pursuant to a Determination of Taxability.

Depository or DTC: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, College and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a “clearing agency” within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

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 on the Bonds is includable in gross income of the recipient 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, as 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 includable in the computation of any alternative minimum tax is not a Determination of Taxability.

Disbursing Agreement: The Disbursing Agreement among the College, the Trustee, the Bank and First American Title Insurance Company, dated as of October 1, 2003 as from time to time amended or supplemented.

Event of Default: An Event of Default described in the Indenture, Loan Agreement, or the Reimbursement Agreement and summarized, respectively, in Appendix IV to this Official Statement in the sections entitled “THE INDENTURE -- Events of Default,” “THE LOAN AGREEMENT -- Events of Default,” and in the body of this Official Statement in the section entitled “THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT.”

Financial Journal: Northwestern Financial Review, The Bond Buyer, Finance & Commerce 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, the 12-month period commencing on July 1 in each year.

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

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

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

Government Obligations: (a) direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America, (b) repurchase agreements or similar financial transactions with parties rated “A” or better by the Rating Agency, the payment of principal of and interest on which are fully secured by obligations of the type described in clause (a) or (c) of this definition, which collateral (i) is held by the Trustee during the term of the instrument which such collateral secures, (ii) is not subject to liens or claims of any third parties and (iii) has a market value (determined monthly) equal to at least 102% of the amount so invested, (c) bonds, notes or other debt obligations rated in the highest Rating Category by the Rating Agency issued by a state or a political subdivision or municipal corporation thereof which are payable in whole from an escrow or similar fund or account containing only cash and/or obligations of the type described in clause (a) above, and (d) certificates or other evidence of ownership of principal to be paid or

interest to accrue on a pool of securities of the type described in clause (a) above, which securities are rated in the highest Rating Category by the Rating Agency and are held in the custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian.

Holder, Bondholder, or Owner: The person in whose name a Bond is registered, except if any Bond is in Book Entry Form, with respect to any consent or approval of a Holder of Bonds of such Series, the terms shall mean the Beneficial Owner.

Indenture: The Trust Indenture between the Authority and U.S. Bank National Association, Saint Paul, Minnesota, as Trustee, dated as of October 1, 2003, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Initial Rate: The interest rate applicable to the Bonds from the Issue Date to and including October 8, 2003.

Institution: William Mitchell College of Law, a Minnesota institution of higher education headquartered in the City of Saint Paul, Minnesota and owned and operated by the College.

Interest Accrual Period or Interest Period: (i) With respect to a Variable Rate Period, a period commencing with the first Business Day of each calendar month, provided that the first Interest Accrual Period shall commence on the Issue Date, to and including the day preceding the first Business Day of the next calendar month and (ii) with respect to the Fixed Rate Period, a period commencing with the first day of a 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 that is the effective date of the substitution of any alternate letter of credit shall commence on the first day of the immediately preceding Interest Accrual Period and shall end on the day preceding such Mandatory Tender Date and the next Interest Accrual Period shall commence on such Mandatory Tender 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 upon original issuance.

Letter of Credit: The Original Letter of Credit and any extension or renewal thereof or, upon delivery to the Trustee of any Alternate Letter of Credit, "Letter of Credit" means such Alternate Letter of Credit.

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

Letter of Credit Obligations: All fees relating to the Letter of Credit, any and all obligations of the College to reimburse the Bank for any drawings under the Letter of Credit and all other

obligations of the College to the Bank arising under or in relation to the Reimbursement Agreement.

Loan Agreement: The Loan Agreement between the Authority and the College relating to the Bonds, dated as of October 1, 2003, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee (or directly to the Bank while a Letter of Credit is in effect) pursuant to the Loan Agreement.

Mandatory Tender Date: The meaning assigned thereto in “THE BONDS – Optional and Mandatory Tender -- 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 as provided therein or in the Indenture, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Maximum Rate: The maximum rate, 12% per annum, that may be borne by the Bonds before the Conversion Date.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the College as owner or lessee or the Trustee as secured party pursuant to the Indenture, 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 Tender -- Optional Tender,” herein.

Original Letter of Credit: The irrevocable, direct-pay letter of credit delivered by the Bank to the Trustee on the Issue Date of the Bonds in accordance with the Loan Agreement.

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 (including, with respect to Project Equipment, purchase money security interests and equipment leases), 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) liens granted to secure the Letter of Credit Obligations, and other liens, mortgages and security interests permitted by the Reimbursement Agreement, the Loan Agreement, and any other agreements entered into by the Corporation in connection with the Bonds, and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Pledge Agreement: The Pledge Agreement, dated as of October 1, 2003, among the College, the Trustee, and the Bank, including any amendments thereto, and any other similar written agreement among the College, the Bank and the Trustee.

Pledged Bonds: (i) Bonds registered in the name of the College, held by the Trustee and pledged to the Bank pursuant to the Pledge Agreement, or (ii) with respect to any Bond registered in the name of The Depository Trust Company, New York, the principal portion thereof the beneficial owner of which is the College subject to a security interest and pledge granted in favor of the Bank pursuant to the Pledge Agreement.

Project: The Project consists of (a) constructing, renovating and expanding a Student Center, (b) constructing, renovating and expanding classroom space with enhanced technology, and (3) expanding and upgrading the facility infrastructure.

Project Buildings: The facilities acquired, improved, or constructed with proceeds of the Bonds, including investment earnings.

Project Costs: Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project and for other purposes as provided in the Indenture.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings.

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

Project Site: The land on which any of the Project Buildings are or will be located or otherwise to be improved as part of the Project, described in the Loan Agreement.

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 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.

Rate Setting Agent: Wells Fargo Brokerage Services, LLC, or any successor or successors appointed and serving in such capacity pursuant to the Indenture, for so long as RBC Dain Rauscher and Wells Fargo Brokerage Services, LLC are co-Remarketing Agents. In the event one party is acting as Remarketing Agent, the Remarketing Agent will also be the Rate Setting Agent.

Rating Agency: Moody's Investors Service, if the Bonds are then rated by Moody's and any other rating agency, if the Bonds are then rated by such other rating agency.

Rating Category: One of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical or other modifier.

Record Date: (i) with respect to each Variable Rate Interest Payment Date for Bonds, the Business Day next preceding such Variable Rate Interest Payment Date, and (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 moneys drawn by the Trustee under the Letter of Credit for redemption of Bonds and deposit of any moneys received which are not otherwise committed.

Reimbursement Agreement: The Letter of Credit and Reimbursement Agreement, dated as of October 1, 2003, between the College and the Bank, including any amendments thereto; and, if

an Alternate Letter of Credit is issued, "Reimbursement Agreement" means a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the College.

Remarketing Agent: Initially, RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC as co-remarketing agents, or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

Remarketing Agreement: The Remarketing Agreement dated as of October 1, 2003 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.

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

Stated Maturity: When used with respect to any Bond or any installment of interest thereon, the date specified in such Bond and in the Indenture 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 thereunder.

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

Termination Date: The date on which the Letter of Credit terminates or expires for any reason or the immediately preceding Business Day if such date is not a Business Day.

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

Trustee, Registrar, Paying Agent: U.S. Bank National Association, Saint Paul, Minnesota, or any successor institution.

Variable Rate: The variable interest rate established in accordance with the Indenture, with respect to any Bond.

Variable Rate Interest Payment Date: (i) The first Business Day of each calendar month commencing November 3, 2003, (ii) each Mandatory Tender Date that is the effective date of the substitution of an Alternate Letter of Credit, and (iii) each Purchase Date described in the Indenture with respect to Pledged Bonds.

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.

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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 "DEFINITION OF CERTAIN TERMS," Appendix III, contained herein.

Construction of Project

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than October 2, 2006 subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effects is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds in the Construction Account.

Loan Repayments and Payment of Purchase Price of Bonds

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, and to pay the Purchase Price of Bonds on each Tender Date. Prior to the Conversion Date, funds drawn under the Letter of Credit and actually received by the Trustee in amounts equal to the interest on and principal of Bonds then due on any Interest Payment Date or principal payment date or by reason of acceleration, or equal to the Redemption Price due on any Redemption Date, or equal to the Purchase Price on any Tender Date, shall be deemed to fulfill the College's repayment or purchase obligation hereunder, and the College need not make any duplicative payment to the Trustee.

To provide for such payments the College covenants to pay for the account of the Authority the following amounts:

- (a) From and after the Conversion Date unless the Bonds are secured by a Letter of Credit and the related Reimbursement Agreement or a supplemental indenture provides to the contrary, into the Bond and Interest Sinking Fund Account on or before the fifth Business Day prior to the date payable, the amount payable as interest on the Bonds on the next succeeding Interest Payment Date and the amount payable as principal of the Bonds on the next succeeding principal payment date; and
- (b) into the Bond and Interest Sinking Fund Account, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds when due (whether at maturity, or by redemption or acceleration of maturity in event of default); and

- (c) prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds, less, during the Variable Rate Period and any other period when interest and principal are paid by draws under a Letter of Credit, amounts drawn under the Letter of Credit; and
- (d) on and after the Conversion Date, into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and
- (e) to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender, less amounts drawn under the Letter of Credit;

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 applicable Account or Accounts as provided in the Indenture, and (ii) any credits for amounts transferred under Sections 5.07, 8.02, 8.03 and 8.05 of the Indenture (relating to the transfer of certain investment earnings and certain excess funds).

The College has the right to prepay all or part of the Loan and to redeem Bonds prior to their maturity in certain events as described under “Bonds–Redemption.”

As additional payments the College agrees to pay the annual fee of the Authority, fees and expenses of the Trustee, any 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 Internal Revenue Code. Certain specified, discrete areas of the Project Facilities, the cost of acquisition, construction, furnishing and equipping of which has been or will be paid from funds of the College and not proceeds of the Bonds, are not subject to the foregoing restrictions.

Maintenance of Project Facilities

The College agrees that, so long as Bonds are outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications and replacements as are necessary such 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, and the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

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 the acquisition and construction of the Project or 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 bought 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 and any appeal therefrom 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 during the Variable Rate Period as required by the Reimbursement Agreement, if any, and with respect to any portion of the Project Facilities not subject to the requirements of the Reimbursement Agreement and following the Conversion Date 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 Facilities, with a deductible amount of up to \$500,000.
- (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 with a deductible amount of up to \$500,000 and against liability for property damage in the minimum amount for each occurrence of \$500,000.
- (c) Workers' compensation insurance (including self-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 comprehensive general public liability insurance, 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.

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. The College is required to furnish to the Trustee annually a certificate of insurance compliance.

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 \$1,000,000, 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, subject to any additional Bank requirements. To the extent that the claim for loss resulting from such damage or destruction exceeds \$1,000,000, the College, with the consent of the Bank during the Variable Rate Period, 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.

If the Bonds are redeemed, the available net proceeds, with the consent of the Bank during the Variable Rate Period, shall be used for redemption or purchase of outstanding Bonds.

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 any part of the Project Facilities, 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.

If the Bonds are redeemed, the available Net Proceeds shall be used for redemption or purchase of outstanding Bonds.

During the Variable Rate Period the consent of the Bank is required for certain of the foregoing elections by the College.

Removal or Release of Project Equipment and Building Equipment

The College may remove or release Project Equipment and Building Equipment from the Project Facilities if no Default has occurred and is continuing and upon the following conditions, and subject in each case to any additional Bank requirements during the Variable Rate Period:

- (a) the College may substitute 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 or value of the Project Facilities;
- (b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) 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 Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of any item of equipment so removed was less than \$25,000, such release 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 or value of the Project Facilities.

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or in connection with (c) above, the depreciated book value of 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 substitution, removal, or release, as the case may be, 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 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 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 unlawful 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 nonhospital 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 and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000. Under the Loan Agreement, 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 if the effect of any such transaction would be to adversely affect the tax-exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity (other than qualified hospital bonds and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code.

College 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 the Internal Revenue Code.

Determination of Taxability After the Conversion Date

In the event a Determination of Taxability is made on or after the Conversion Date that interest on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability on or after the Conversion Date, the Bonds shall be subject to optional redemption, as a whole or in part, on the next date for which due notice can be given or any date thereafter and the redemption price therefor shall be equal to par plus accrued interest (including additional interest from the Date of Taxability).

Other Covenants

The College further agrees to provide financial statements and other information to the Underwriters; following the Conversion Date, to comply with certain financial covenants set forth in the Loan Agreement; to comply with all applicable laws and regulations against unlawful discrimination, and not to unlawfully discriminate on account of religion, race, color, creed or national origin 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 Services Offices, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

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 or cause to be made 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 or redemption date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for five (5) Business 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) On or after the Conversion Date, 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 pay or cause to be paid when due the amount of any Purchase Price required to be paid under the Loan Agreement; or
- (e) If the College fails 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.

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.

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) Subject to the Bank’s right of consent, 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 appears necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement.
- (c) Subject to the Bank’s right of consent, the Trustee may take whatever action in law or equity 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 (provided that proceeds of a Letter of Credit drawing may not be applied to the payment of advances and expenses hereunder), second to payment of the Bonds as provided in Section 10.04 of the Indenture and third to pay all Letter of Credit Obligations and 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 "DEFINITION 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, and the Bank, which security interest is subordinate in every respect to the interest of the Holders, 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 created and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (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 amounts drawn or deemed to have been drawn under the Letter of Credit 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 Internal Revenue 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, shall occur and be continuing (but not an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default, in which case clause (f) shall apply); 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; or
- (f) Prior to the Conversion Date, if the Trustee receives a written notice from the Bank that the Bank will not reinstate the interest portion of the Letter of Credit following an interest drawing; or
- (g) Prior to the Conversion Date, if the Trustee receives written notice from the Bank that an event of default under the Reimbursement Agreement has occurred; or
- (h) Prior to the Conversion Date, if the College fails to perform its obligations under Section 4.10 of the Loan Agreement (relating to the Letter of Credit).

Remedies

- (a) Upon an Event of Default under paragraph (a), (b), (e), or (f) under the foregoing section "Events of Default," the Trustee shall declare the principal of all Bonds secured by the Indenture 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 at anytime as provided in paragraph (c) of this section.
- (b) Upon and during the continuance of an Event of Default under paragraph (c), (d), (g) or (h) of the foregoing section, and subject to limitations on the Bank's rights set forth in the Indenture, the Trustee (i) with the Bank's consent may, and (ii) (A) with the Bank's consent and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding or (B) upon request of the Bank, shall, by notice in writing delivered to the Authority, declare the principal of all Bonds secured by the Indenture then outstanding and the interest accrued thereon immediately due and payable, subject, however, to the right of (i) the Holders of a majority in aggregate principal amount of Bonds then outstanding with the Bank's consent or (ii) the Bank, by written notice to the Authority and to the Trustee, to annul such declaration at anytime as provided in paragraph (c) of this section.
- (c) If the Trustee is instructed by the Holders or Bank in accordance with the Indenture to annul such declaration of acceleration, the Trustee shall annul such declaration if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest, the reasonable expenses and charges of the Trustee, 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 and the Letter of Credit is reinstated to the full principal and interest amount described in the Loan Agreement.
- (d) Upon any declaration of acceleration hereunder, interest on the Bonds shall cease to accrue and the Trustee shall immediately draw on the Letter of Credit as provided in Section 7.02(c) of the Indenture.

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 and subject to limitations on the Bank's rights described below, the Trustee (a) with the Bank's consent may, and (b)(i) with the Bank's consent and upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds or (ii) upon the request of the Bank, 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 the Loan Agreement and to enforce any such other appropriate legal or equitable remedy as the

Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders or the Bank as aforesaid, unless such Bondholders or the Bank shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Limitations on the Bank's Right to Consent

Notwithstanding any other provision of the Indenture or the Loan Agreement, no consent of or notice to the Bank shall be required nor shall the Bank have any right to receive notice of, consent to, direct or control any actions, restrictions, rights, remedies, waivers or accelerations pursuant to any provision of the Indenture or the Loan Agreement after the Letter of Credit has expired (unless the Letter of Credit Obligations have not been fully paid or satisfied) or during any time:

- (a) the Bank does not honor draws properly presented under the terms of the Letter of Credit,
- (b) the Letter of Credit ceases to be valid and binding on the Bank or is declared to be null and void, or the validity or enforceability of any material provision of the Letter of Credit is denied by the Bank or any governmental agency or authority, or the Bank is denying further liability or obligation under the Letter of Credit, contrary to the terms of the Letter of Credit,
- (c) a petition is pending against the Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within thirty (30) days after the filing, or
- (d) the Bank has filed a petition, which is pending, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding or liquidation law, of any jurisdiction, whether now or hereafter in effect, or has consented to the filing of any petition against it under such law.

Notwithstanding the occurrence of any of the events described in paragraphs (b), (c) and (d), in the event that principal of and interest on all Bonds shall have been paid in full and any amounts shall be owing the Bank under the Reimbursement Agreement, the provisions of this Section shall be inoperative.

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 U.S. Bank 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. Provision is also made for removal of the

Trustee by Bondholders or the Authority, at the request of the College, with the consent of the Bank. The Authority may also remove the Trustee with or without the College's consent if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

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 Corporation Bonds) and Second for the benefit of the Bank and Third for the benefit of the Holders of the Corporation Bonds.

Nothing in the preceding paragraph or in any other provision of the Indenture shall limit or impair the right of the Bank to take action and institute proceedings, in the name of an individual Bondholder or otherwise, as the Bank shall deem appropriate (i) to contest any claim or assertion by any person (including any claim or assertion by the College or by any receiver, custodian, trustee or liquidator for the College) that any payment of interest on the Bonds constituted a voidable preference under the United States Bankruptcy Code, as amended, or any similar state insolvency law or (ii) to request or petition any court of competent jurisdiction to make a determination that any payment of interest on the Bonds did not constitute a voidable preference under the United States Bankruptcy Code, as amended, or any similar state insolvency law.

The Trustee (a) with the consent of the Bank and upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding or (b) upon the written request of the Bank, 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 and the Letter of Credit is reinstated to the full principal and interest amount according to its terms. 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 outstanding 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, premium, if any, and interest on the Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all such Bonds outstanding, or
- (c) on or after the Conversion Date, deliver to the Trustee (1) proof that notice of redemption of all of such 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 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 Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America, in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or
- (d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided, and shall also pay all Letter of Credit Obligations, 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 the Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all 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 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, with the consent of the College and the Bank, 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 could have been contained in 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;
- (f) to modify or supplement provisions relating to procedures for drawing on the Letter of Credit in connection with the issuance of an Alternate Letter of Credit; and
- (g) to make other changes with the Bank's consent except those changes requiring unanimous approval by Holders of all the outstanding Bonds as described in the next paragraph.

In addition and subject to the provisions set forth below, the Holders of not less than 51% 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 directly or indirectly affected (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 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, (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, or (e) in connection with any other change approved by the Bank except those amendments, changes or modifications which require unanimous consent of the holders of all outstanding 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 51% 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 or waiver of any provision thereof may not be entered into or given without the prior written consent of the Bank. 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. If the Bonds are no longer in book entry form, 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, upon request by a registered Owner of more than \$1 million principal amount of Bonds, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable payment procedures while in book entry form.

**CONSOLIDATED FINANCIAL STATEMENTS,
JULY 31, 2002 AND 2001**

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**WILLIAM MITCHELL COLLEGE OF LAW
CONSOLIDATED BALANCE SHEETS
JULY 31, 2002 AND 2001**

	2002	2001
ASSETS		
Cash and Cash Equivalents	\$ 400,700	\$ -
Receivables:		
Tuition, Less Allowance of \$42,972 and \$127,492, Respectively	234,823	171,668
Grants	31,087	9,472
Student Loans, Less Allowance of \$57,122 and \$88,000, Respectively	2,979,744	2,935,842
Pledges Receivable, Net	1,796,022	1,593,310
Interest	-	23,918
Other	340,951	313,062
Inventory	102,929	-
Prepaid Expenses	95,186	63,252
Investments in Securities	14,264,800	16,744,662
Investment in Physical Plant, Net	9,724,302	9,507,142
Total Assets	\$ 29,970,544	\$ 31,362,328
LIABILITIES AND NET ASSETS		
LIABILITIES		
Debt on Physical Plant	\$ 600,000	\$ 600,000
Accounts Payable	672,446	1,091,555
Accrued Expenses	497,256	350,473
Unearned Tuition	236,803	146,793
Annuities Payable	697,109	665,703
Line of Credit	750,000	-
U.S. Governmental Grant Refundable	2,565,568	2,411,139
Total Liabilities	\$ 6,019,182	\$ 5,265,663
NET ASSETS		
Unrestricted Undesignated	\$ 414,889	\$ 1,313,030
Centers for Law and Leadership	(1,079,647)	(779,664)
Invested in Physical Plant	9,124,302	8,907,142
Board Designated - Endowment	7,214,867	7,926,268
Total Unrestricted Net Assets	\$ 15,674,411	\$ 17,366,776
Temporarily Restricted	2,952,247	3,868,645
Permanently Restricted	5,324,704	4,861,244
Total Net Assets	\$ 23,951,362	\$ 26,096,665
Total Liabilities and Net Assets	\$ 29,970,544	\$ 31,362,328

See accompanying Notes to Financial Statements.

**WILLIAM MITCHELL COLLEGE OF LAW
CONSOLIDATED STATEMENTS OF ACTIVITY
FOR THE YEARS ENDED JULY 31, 2002 AND 2001**

	2002			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Gross Tuition and Fees	\$ 18,240,860	\$ -	\$ -	\$ 18,240,860
Less:				
Scholarships	(3,333,138)	-	-	(3,333,138)
Net Tuition and Fees	<u>\$ 14,907,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,907,722</u>
Gifts, Donations, and Pledges	378,611	886,414	253,930	1,518,955
Federal Government Grants	220,962	-	-	220,962
Investment Income	285,153	32,193	(2,843)	314,503
Realized Gain (Loss)	54,338	(24,588)	(422)	29,328
Unrealized Gain (Loss)	(2,074,052)	(214,207)	(7,510)	(2,295,769)
Changes in Value of Split Interest Agreements	-	(82,633)	(42,645)	(125,278)
Other Income	636,497	-	-	636,497
The Centers for Law and Leadership:				
Programs and Services	130,043	-	-	130,043
Grants and Contracts	315,157	-	-	315,157
Net Assets Released from Restrictions	1,350,627	(1,350,627)	-	-
Total Support and Revenue	<u>\$ 16,205,058</u>	<u>\$ (753,448)</u>	<u>\$ 200,510</u>	<u>\$ 15,652,120</u>
EXPENSE				
Program:				
Instructional	\$ 7,619,595	\$ -	\$ -	\$ 7,619,595
Library	3,105,216	-	-	3,105,216
Student Support	1,640,040	-	-	1,640,040
Centers for Law and Leadership	745,183	-	-	745,183
Total Program Expense	<u>\$ 13,110,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,110,034</u>
Support:				
General and Administrative	\$ 4,015,798	\$ -	\$ -	\$ 4,015,798
Fund Raising	671,591	-	-	671,591
Total Support Expense	<u>\$ 4,687,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,687,389</u>
Total Expense	<u>\$ 17,797,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,797,423</u>
CHANGE IN NET ASSETS	<u>\$ (1,592,365)</u>	<u>\$ (753,448)</u>	<u>\$ 200,510</u>	<u>\$ (2,145,303)</u>
Net Assets - Beginning as Previously Stated	\$ 17,366,776	\$ 3,868,645	\$ 4,861,244	\$ 26,096,665
Net Asset Reclassification (Note 12)	(100,000)	(162,950)	262,950	-
Net Assets - Beginning as Restated	<u>\$ 17,266,776</u>	<u>\$ 3,705,695</u>	<u>\$ 5,124,194</u>	<u>\$ 26,096,665</u>
NET ASSETS - ENDING	<u>\$ 15,674,411</u>	<u>\$ 2,952,247</u>	<u>\$ 5,324,704</u>	<u>\$ 23,951,362</u>

See accompanying Notes to Financial Statements.

2001

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 16,740,592	\$ -	\$ -	\$ 16,740,592
(2,795,411)	-	-	(2,795,411)
<u>\$ 13,945,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,945,181</u>
474,208	254,285	1,058,923	1,787,416
180,580	-	-	180,580
510,490	51,354	1,252	563,096
272,728	62,101	3,587	338,416
(1,237,171)	(340,637)	8,285	(1,569,523)
-	(132,832)	(4,238)	(137,070)
604,432	-	-	604,432
137,982	-	-	137,982
216,458	-	-	216,458
269,270	(269,270)	-	-
<u>\$ 15,374,158</u>	<u>\$ (374,999)</u>	<u>\$ 1,067,809</u>	<u>\$ 16,066,968</u>
\$ 7,614,979	\$ -	\$ -	\$ 7,614,979
2,988,702	-	-	2,988,702
1,583,449	-	-	1,583,449
594,030	-	-	594,030
<u>\$ 12,781,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,781,160</u>
\$ 3,810,727	\$ -	\$ -	\$ 3,810,727
858,860	-	-	858,860
<u>\$ 4,669,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,669,587</u>
<u>\$ 17,450,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,450,747</u>
<u>\$ (2,076,589)</u>	<u>\$ (374,999)</u>	<u>\$ 1,067,809</u>	<u>\$ (1,383,779)</u>
\$ 19,443,365	\$ 4,243,644	\$ 3,793,435	\$ 27,480,444
-	-	-	-
<u>\$ 19,443,365</u>	<u>\$ 4,243,644</u>	<u>\$ 3,793,435</u>	<u>\$ 27,480,444</u>
<u>\$ 17,366,776</u>	<u>\$ 3,868,645</u>	<u>\$ 4,861,244</u>	<u>\$ 26,096,665</u>

**WILLIAM MITCHELL COLLEGE OF LAW
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2002 AND 2001**

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,145,303)	\$ (1,383,779)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized Investment Losses	2,266,441	1,230,837
Depreciation	1,021,959	998,106
Donated Securities	(61,951)	-
Contributions Restricted for Long-Term Investment	(416,880)	(979,925)
Loss on Disposal of Equipment	-	9,335
(Increase) Decrease in Operating Assets:		
Receivables	(335,355)	(241,763)
Inventory	(102,929)	-
Prepaid Expenses	(31,934)	(6,037)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(419,109)	574,037
Accrued Expenses	146,783	25,681
Unearned Tuition	90,010	(18,550)
Annuities Payable	31,406	88,558
Government Grants Refundable	154,429	156,838
Net Cash Provided by Operating Activities	\$ 197,567	\$ 453,338
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	\$ 3,002,035	\$ 2,443,214
Purchases of Investments	(2,726,663)	(2,493,120)
Purchases of Property, Plant and Equipment	(1,239,119)	(1,491,164)
Net Cash Used by Investing Activities	\$ (963,747)	\$ (1,541,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds From Contributions Restricted for Long-Term Investment	\$ 416,880	\$ 979,925
Proceeds from Line of Credit	1,050,000	-
Payments on Line of Credit	(300,000)	-
Net Cash Provided by Financing Activities	\$ 1,166,880	\$ 979,925
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 400,700	\$ (107,807)
Cash and Cash Equivalents - Beginning	-	107,807
CASH AND CASH EQUIVALENTS - ENDING	\$ 400,700	\$ -
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ 30,406	\$ 32,859
Non-Cash Stock Donations	\$ 61,951	\$ -

See accompanying Notes to Financial Statements.

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

William Mitchell College of Law (the College) was founded in 1900 as a private nonprofit organization. The College is an accredited school of the American Bar Association and a member of the Association of American Law Schools. William Mitchell College of Law has long been respected for its rigorous and innovative academic program which balances the study of legal theory with the development of professional skills and ethics, making a legal education accessible to a diverse student body and producing leaders well prepared to excel in law, business, public service, and other careers.

Each year, approximately 1,000 students are enrolled in the colleges' program leading to a J.D. degree. About half of the students attend classes on a part time basis, continuing the tradition of flexibility that is the school's hallmark. William Mitchell graduates are found in a variety of legal practice settings from large firms to solo practitioners including numerous members of the judiciary, as well as a variety of other professional settings in business and government. The college is one of only seven law schools in the country that can claim a Chief Justice of the U.S. Supreme Court as a graduate (Warren Burger, 1969-1986).

Principles of Consolidation

The consolidated financial statements include the accounts of William Mitchell College of Law and its controlled corporation, The Center for Law and Leadership (CLL). All material intercompany transactions have been eliminated.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes there in are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted – Net assets which are subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned for unrestricted or temporarily restricted purposes.

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments, investment income and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporarily restricted net assets (i.e., donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily restricted net assets for which donor-imposed restrictions are met in subsequent reporting periods are reclassified to unrestricted net assets and reported as net assets released from restriction. Net assets which have no donor-stipulated restrictions, as well as contributions or restricted investment income for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted support.

Contributions, including unconditional promises to give, are recognized as support in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions and nature of fundraising activity.

Cash and Cash Equivalents

The cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased.

Receivables

Receivables are stated at their net realizable value. The allowance for doubtful accounts is based on management's judgement.

Inventory

Inventories are valued at the lower of cost, on a first-in, first-out basis, or market.

Investments In Securities

Investments are stated at market value. Changes in market values are recorded as unrealized gains or losses in the period of the change. Investment income is allocated based on the best estimates of management.

Investment in Physical Plant

Investment in physical plant is stated at cost. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation has been computed on a straight-line basis over the estimated useful lives of the assets.

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gift Annuity Contracts

Annuities payable represent the College's liability under gift annuity contracts with donors. The liability is established at the time of the contribution using life expectancy actuarial tables, expected investment return and annuity payments, and revalued at the end of each fiscal year. Actual gains and losses resulting from the annual revaluation of annuity obligations are reflected as temporarily or permanently restricted, consistent with the method used to initially record the contributions.

Income Taxes

The College and CLL qualified as tax-exempt nonprofit organizations other than private foundations under Section 501(C)(3) of the Internal Revenue Code and similar statutes of Minnesota law. Therefore, contributions are considered tax deductible to the donor. Accordingly, no provisions for federal or state income taxes is required.

Deferred Revenues

The College records cash received for future services as deferred revenues. This revenue is recognized when services are provided. At July 31, 2002 and 2001, deferred revenue consists primarily of unearned tuition and tuition deposits.

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were \$84,483 and \$167,682 for the year ended July 31, 2002 and 2001, respectively.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these financial instruments. The carrying value of investments, which is based on the fair value of investments, is based upon values provided by an external investment manager of quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

The determination of the fair value of loans receivable, which are federally sponsored student loans with U.S. government mandated interest rates and repayments terms and subject to significant restrictions, could not be made without incurring excessive costs. The fair value of receivables from students under College loan programs approximates carrying value.

The carrying amount of bonds payable approximates fair value because these financial instruments bear interest at rates which approximate current market rates for bonds with similar maturities and credit quality.

Functional Allocation of Expense

Salaries and related expenses are allocated based on management's best estimate. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support service, are also allocated based on the best estimates of management.

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values will occur in the near term and that such changes could materially affect the financial statements.

Concentration of Credit Risk

The College places its temporary cash investments in high credit quality financial institutions. At times, cash balances are in excess of FDIC insurance limits.

Two entities account for 31% of the pledge receivable balance.

Reclassification of Financial Statement Presentation

Certain reclassifications have been made to the July 31, 2001, consolidated financial statements to conform with the July 31, 2002, consolidated financial statement presentation. Such reclassifications have no effect on the change in net assets as previously reported.

PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. Pledges receivable are summarized as follows at July 31, 2002 and 2001:

	2002	2001
Unconditional Promises Expected to be Collected in:		
One Year to Five Years	\$ 2,062,730	\$ 1,812,887
Over Five Years	-	87,600
Less: Discount	(152,408)	(194,077)
Subtotal	\$ 1,910,322	\$ 1,706,410
Less: Allowance for Uncollectible	(114,300)	(113,100)
Total	\$ 1,796,022	\$ 1,593,310

The imputed interest rate was 6%.

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001

INVESTMENT IN SECURITIES

Investment in securities consists of the following at July 31:

	2002		2001	
	Cost	Market Value	Cost	Market Value
Investment in St. Paul Foundation General Fund	\$ 119,999	\$ 152,493	\$ 119,999	\$ 169,378
Common Stocks	9,099,017	8,826,361	7,889,992	11,466,970
Bonds	4,921,132	5,285,946	4,441,591	5,108,314
	<u>\$ 14,140,148</u>	<u>\$ 14,264,800</u>	<u>\$ 12,451,582</u>	<u>\$ 16,744,662</u>

Gift annuities and charitable remainder trusts included in investments amount to \$874,922 and \$1,020,084 of temporarily restricted investments and \$42,911 and \$54,025 of permanently restricted investments at July 31, 2002 and 2001, respectively.

Investment expense totaling \$63,720 and \$87,965 for the years ended July 31, 2002 and 2001, respectively, is netted with investment income.

INVESTMENT IN PHYSICAL PLANT

	2002	2001
Land	\$ 150,000	\$ 150,000
Building and Improvements	11,396,204	11,294,981
Equipment and Furnishings	4,807,656	4,421,340
Library Books	7,973,526	7,500,459
Construction In Progress	324,760	46,158
Total Investment in Plant	<u>\$ 24,652,146</u>	<u>\$ 23,412,938</u>
Accumulated Depreciation	(14,927,844)	(13,905,796)
Investment in Plant, Net	<u>\$ 9,724,302</u>	<u>\$ 9,507,142</u>

Depreciation expense for the years ended July 31, 2002 and 2001, was \$1,021,959 and \$998,106, respectively.

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001

LONG-TERM DEBT

During 1993, the College issued \$2,000,000 in Minnesota Higher Education Facilities Authority (The Authority), Variable Rate Demand Revenue Bonds, Series Three-O (the Bonds).

The bonds mature August 1, 2003, with redemptions and prepayment available in multiples of \$100,000. Interest is payable monthly at a variable rate as defined in the Trust Indentures. The variable rate ranged from a high of 2.65% to a low of 1.40% during 2002; the rate at July 31, 2002 and 2001 was 1.75% and 2.9%, respectively. The interest rate on the bonds may be converted to a fixed rate on a one-time basis at the option of the College. Collateral for the bonds consists of primarily all land and buildings of the College. The bond redemption fund investments totaled \$58,439 and \$58,097 at July 31, 2002 and 2001, respectively.

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 at the end of each fiscal year, unrestricted revenues, as defined, must not be less than unrestricted expenditures, including mandatory transfers as defined. In addition, at the end of each fiscal year, the market value of the College's investments and cash included in unrestricted quasi-endowment funds must not be less than one-half of the outstanding bond principal.

RETIREMENT AND BENEFIT PLANS

The College sponsors a defined contribution retirement plan for all full-time employees. Benefits to be paid are based on amounts contributed plus all earnings of the plan. The College contributes an amount equal to the contribution of each employee, up to a maximum contribution of 5% of the employee's salary. For the years ended July 31, 2002 and 2001, the College paid \$344,421 and \$328,086, respectively, to the plan on behalf of its employees.

In addition, for each full-time employee's flexible benefit bank, the College contributes \$3,700 plus an amount equal to 5% of the employee's salary. During fiscal year 2002 and 2001, the College paid \$981,627 and \$1,001,979, respectively, for flexible benefits.

The College also sponsors a deferred compensation 457(f) plan for certain full-time employees. During fiscal year 2002 and 2001, the College paid \$3,599 and \$29,884, respectively.

**WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001**

LEASES

As Lessee

The College leases certain space and equipment under various lease agreements. The leases expire at various dates. Future minimum lease payments are as follows:

<u>Year Ending July 31,</u>	<u>Amount</u>
2003	\$ 16,945
2004	13,944
2005	7,558
Total	<u>38,447</u>

Rent expense for the years ended July 31, 2002 and 2001, was \$19,195 and \$77,449, respectively.

As Lessor

The College leases space to various Organizations under operating leases. Future minimum lease payments receivable are as follows:

<u>Year Ending July 31,</u>	<u>Amount</u>
2003	\$ 115,916
2004	108,588
2005	112,392
2006	116,328
Total	<u>453,224</u>

Rental income for the years ended July 31, 2002 and 2001, was \$134,815 and \$145,043, respectively.

NET ASSETS RELEASED FROM RESTRICTIONS

The net assets released from restrictions of \$1,350,627 and \$269,270 for the years ending July 31, 2002 and 2001, respectively, were from contributions restricted by the donors to a particular purpose and from pledges.

Temporarily Restricted

Net assets temporarily restricted as of July 31, consist of the following donor restrictions:

	<u>2002</u>	<u>2001</u>
Time Restricted - Pledge	\$ 1,143,033	\$ 868,450
Purpose Restricted:		
Scholarships	98,877	91,505
Endowments	1,506,592	2,679,175
Other	203,745	229,515
Total	<u>\$ 2,952,247</u>	<u>\$ 3,868,645</u>

**WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001**

NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS (CONTINUED)

Permanently Restricted

Net assets permanently restricted as of July 31, 2002 and 2001, consist of the following restrictions:

	2002	2001
Capital Campaign	\$ 652,880	\$ 727,284
Endowment	4,671,824	4,133,960
Total	\$ 5,324,704	\$ 4,861,244

NOTE 9 BOARD DESIGNATED NET ASSETS

The Board of Trustees has designated a portion of net assets for the endowments and investment in plant. The designated net assets were \$16,339,169 and \$16,833,410 for the year ended July 31, 2002 and 2001, respectively.

NOTE 10 THE CENTERS FOR LAW AND LEADERSHIP

The Centers for Law and Leadership (the Centers) is a separately incorporated educational support organization, which represents an expansion of the College's mission and out reach activities. The Centers offer programming and services related to specific areas of the law to a broad constituency of lawyers and other professionals. Revenues are generated from fees related to training and other programs, services provided to parties in specific cases, grants and contracts from governmental entities and grantors, and gifts from donors. In some instances, employees of the Centers provide services to the College's JD program, which are reimbursed directly to the Centers. Under authority granted by the College's Board of Trustees, the Centers may borrow from the College's quasi-endowment to finance its activities if necessary. Revenue and expenses related to the Centers operations are included in the College's consolidated financial statements.

NOTE 11 LINE OF CREDIT

The College entered into a \$1,000,000 revolving line of credit agreement on June 12, 2001 that expires March 31, 2003. Interest on the line of credit is one quarter percent below the prime rate. At July 31, 2002, the interest rate was 4.25%. The balance outstanding at July 31, 2002 and 2001 was \$750,000 and \$0-, respectively.

NOTE 12 NET ASSET RECLASSIFICATION

In fiscal 2002, several donors changed the restrictions on their gifts to be permanently restricted. These gifts were previously recorded in temporarily or unrestricted net assets in the year the gift was received based on the donor designations in effect at that time. The effect of the change in the donor designations was a decrease in beginning unrestricted net assets of \$100,000, decrease in temporarily restricted net assets of \$162,950, and an increase in permanently restricted net assets of \$262,950.

WILLIAM MITCHELL COLLEGE OF LAW
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2002 AND 2001

NOTE 13 CONTINGENCIES

The College has become aware of an environmental issue related to one of the buildings on campus. One wall of a building has developed mold. Although the rooms affected are contained and are not currently being used the mold will need to be removed.

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U.S. BANK NATIONAL ASSOCIATION

U.S. Bank National Association (the “Bank”) is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp (the “Company”). At June 30, 2003, the Bank had total assets of \$192 billion, total deposits of \$132 billion and total shareholders’ equity of \$20 billion.

The Bank is engaged in the general banking business, principally in domestic markets. The Bank provides a wide range of products and services to individuals, businesses, institutional organizations, governmental entities and other financial institutions. Commercial and consumer lending services are principally offered to customers within the Company’s domestic markets, to domestic customers with foreign operations and within certain niche national venues. Lending services include traditional credit products as well as credit card services, financing and import/export trade, asset-backed lending, agricultural finance and other products. Depository services include checking accounts, savings accounts and time certificate contracts. Ancillary services such as foreign exchange, treasury management and receivable lock-box collection are provided to corporate customers. The Bank provides a full range of fiduciary services for individuals, estates, foundations, business corporations and charitable organizations.

Banking and investment services are provided through a network of 2,199 banking offices principally operating in 24 states in the Midwest and West. The Company operates a network of 4,575 ATMs and provides 24-hour, seven days-a-week telephone customer service. Mortgage banking services are provided through banking offices and loan production offices throughout the Company’s markets.

The Company is a multi-state financial services holding company with \$195 billion in assets at June 30, 2003, headquartered in Minneapolis, Minnesota. The Company was incorporated in Delaware in 1929 and operates as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956. The Company provides a full range of financial services, including lending and depository services, cash management, foreign exchange and trust and investment management services. It also engages in credit card services, merchant and automated teller machine (“ATM”) processing, mortgage banking, insurance, brokerage, leasing and investment banking. The Company is the parent company of the Bank.

The Company is one of the largest providers of Visa® corporate and purchasing card services and corporate trust services in the United States. Its wholly-owned subsidiary NOVA Information Systems, Inc. provides merchant processing services directly to merchants and through a network of banking affiliations.

The Company’s other non-banking subsidiaries offer a variety of products and services to the Company’s customers. Its wholly-owned subsidiary U.S. Bancorp Piper Jaffray Inc. engages in equity and fixed income trading activities and offers investment banking and underwriting services to corporate and public sector customers. This non-bank subsidiary also provides brokerage products, including securities, mutual funds and annuities, and insurance products to consumers and regionally based businesses through a network of brokerage offices.

On a full-time equivalent basis, employment during 2002 averaged a total of 51,673 employees.

The Company’s common stock is traded on the New York Stock Exchange under the ticker symbol USB and its principal executive offices are located at 800 Nicollet Mall, Minneapolis, Minnesota, 55402. The main office of the Bank is located at 425 Walnut Street, Cincinnati, Ohio, 45202.

Available Information

The foregoing financial information regarding the Bank has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices ("Call Report"), for the quarter ended June 30, 2003. The publicly available portions of the quarterly Call Reports with respect to the Bank are on file with, and available upon request from, the FDIC, 550 17th Street, N.W., Washington, D.C., 20429 or by calling the FDIC at (800) 945-2186. The FDIC also maintains an Internet web site at <http://www.fdic.gov> that contains reports and certain other information regarding depository institutions such as the Bank. Reports and other information about the Bank are available at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL, 60605.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and other information may be inspected without charge at the public reference facilities maintained by the SEC at 450 Fifth Street, NW, Washington, D.C., 20549. Members of the public who require assistance in obtaining copies, including certified copies, of public SEC records (such as corporate filings) may contact the Public Reference Room at (202) 942-8090. This office is equipped with a TTY machine to receive inquiries from the hearing impaired at (202) 942-8092. The SEC also maintains a web site at <http://www.sec.gov>, which contains most corporate disclosure documents filed since May 1996, such as reports, proxy statements and other information regarding companies such as the Company that file such materials electronically. General information is available to the public from the SEC Information Line at (202) 942-8088. The Company also maintains an Internet web site at <http://www.usbank.com>. Information on the Company's web site is not part of this document.

Except for the contents of this section, the Bank and the Company assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

THE LETTER OF CREDIT IS AN UNSECURED OBLIGATION OF THE BANK AND IS NOT AN OBLIGATION OF THE COMPANY.



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