OFFICIAL STATEMENT DATED JANUARY 20, 1999

NEW ISSUE **Moody's Rating: Baa2**

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

$5,875,000

Minnesota Higher Education Facilities Authority

Mortgage Revenue Bonds, Series Four-Z
(Northwestern College of Chiropractic)

Dated Date: January 15, 1999 **Interest Due: April 1 and October 1, commencing October 1, 1999**

The Bonds will mature on October 1 as follows:

Maturity (October 1)	Amount	Interest Rate	Price	Maturity (October 1)	Amount	Interest Rate	Price
1999	$230,000	3.600%	100%	2005	$365,000	4.500%	100.000%
2000	$300,000	3.750%	100%	2006	$385,000	4.500%	99.354%
2001	$310,000	4.000%	100%	2007	$400,000	4.625%	99.114%
2002	$325,000	4.125%	100%	2008	$420,000	4.750%	98.850%
2003	$335,000	4.250%	100%	2009	$440,000	4.875%	98.970%
2004	$350,000	4.375%	100%				

$2,015,000 5.20% Term Bonds due October 1, 2013 Price 99.485%

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to optional redemption prior to maturity, as described herein. (See "The Bonds – Prior Redemption – Optional Redemption"). The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture and in the event of a Determination of Taxability, as described herein. Bonds maturing October 1, 2013 are subject to mandatory redemption in installments as described herein.

The Bonds will be issued as fully registered Bonds without coupons 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, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein.) Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, will act as Trustee.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of Northwestern College of Chiropractic, Bloomington, Minnesota (the "College"), pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture and a Mortgage as described herein. The Loan Repayments will be a general obligation of the College.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the approval of legality by Faegre & Benson LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Peter W. Johnson, Attorney at Law, Wayzata, Minnesota; and for the Underwriter by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about February 3, 1999.

The Underwriter intends to engage in secondary market trading in the Bonds, subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of any holder thereof. For information with respect to the Underwriter, see "UNDERWRITING" herein.

Dain Rauscher Incorporated

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

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

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Mollie N. Thibodeau, Chair	CFRE, Fund Raising Consultant, Duluth, Minnesota
James R. Miller, Vice Chair	Owner and CEO, James Miller Investment Realty Company, St. Paul, Minnesota
Dr. John S. Hoyt, Jr., Secretary	CEO, Effective Golf Course Systems, Inc., Edina, Minnesota
Dr. Kathryn Balstad Brewer	Researcher and Consultant, St. Paul, Minnesota
Jack Amundson	CPA, Partner, Larson, Allen, Weishair & Co., LLP, St. Cloud, Minnesota
Kenneth Johnson	Principal/Corporate President, the STANIUS JOHNSON architects, inc., Duluth, Minnesota
Dr. David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, St. Paul, Minnesota
Timothy Medd (Ex Officio)	Audit Supervisor, Minnesota Higher Education Services Office, St. Paul, Minnesota
Tom Martinson	Principal, City Planning & Economic Development, Minneapolis, Minnesota
Christopher A. Nelson	Attorney in Private Practice, St. Louis Park, Minnesota

J. Luther Anderson, Executive Director

Bond Counsel
Faegre & Benson LLP

Financial Advisor
Springsted Incorporated

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MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES FOUR-Z
(Northwestern College of Chiropractic)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Northwestern College of Chiropractic (the "College"), Bloomington, Minnesota, in connection with the issuance of the Authority's $5,875,000 Mortgage Revenue Bonds, Series Four-Z (Northwestern College of Chiropractic) (the "Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture (the "Indenture") between the Authority and Norwest Bank Minnesota, National Association, as trustee (the "Trustee").

Pursuant to a Loan Agreement between the College and the Authority relating to the Bonds, the College will covenant as a general obligation of the College to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Bonds will be loaned to the College by the Authority to be used to (i) finance renovations and new construction to the College campus, including build out of space and construct a new entry to the DeRusha Center; renovate existing second floor classrooms; renovate faculty offices and meeting rooms; renovate the Bookstore and Student Activity Center; and construct a new maintenance shop and central storage area; (ii) defease, in advance of maturity, the outstanding maturities of the Authority's Mortgage Revenue Bonds, Series Two-X (Northwestern College of Chiropractic) (the "Series Two-X Bonds") issued on behalf of the College and dated September 1, 1990; (iii) fund a debt service reserve; and (iv) pay certain issuance costs. See "PURPOSE OF THE ISSUE," herein, for a more detailed description of the use of Bond proceeds.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the College, and a mortgage on and a security interest in the College's main campus located in Bloomington, Minnesota, including land, building, furnishings and equipment (the "Mortgaged Property"). Under the Loan Agreement, the College agrees to provide the funds necessary to make timely payment of the Loan Repayments. See "SUMMARY OF SECURITY FOR THE BONDS" herein.

The Reserve Account will be funded in the amount of the Reserve Requirement from proceeds of the Bonds on the date of issuance. (See "RESERVE ACCOUNT" herein.)

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

The 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 IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

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

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement, (b) amounts in the Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds, and (c) a mortgage on and security interest in the Mortgaged Property. If an Event of Default occurs, there can be no assurance that such collateral will be sufficient to pay the principal of, premium, if any, and interest on the Bonds.

Construction Delays

The College expects to complete and occupy the Project in time for the 1999 Fall Trimester. Any construction delays including, but not limited to, work stoppages, shortages of materials or sufficiency of funds to complete the Project, would adversely impact the College's ability to complete the Project in time, which in turn could impair its ability to attract students.

Adequacy of Revenues; Liens on Property

Payment of principal of and interest on the Bonds is intended to be made from Loan Repayments of the College. The College's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures. The receipt of such revenues and the College's expenditures are subject to many conditions and factors, some of which may be beyond the control of the College and may change in the future to an extent that cannot be presently determined. Also see "SUMMARY OF SECURITY FOR THE BONDS" and Appendix I, "Long-Term Debt of the College as of December 1, 1998."

Foreclosure of the Mortgage

The Bonds are limited obligations of the Authority and are payable solely from revenues derived from the College under the Loan Agreement or the Reserve Account. If sufficient payments are not forthcoming from the College, it may be necessary for the Trustee to exercise its remedies under the Indenture and the Mortgage. The value of the Mortgaged Property upon foreclosure of the Mortgage may be affected by a number of factors. The mortgaged building is designed for educational and research purposes and its use and marketability for other purposes may be limited. Attempts to foreclose under mortgages are frequently met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays in realizing on collateral and may otherwise limit the value of the collateral. The College has been operating since it moved to its present location under a conditional use permit to operate an educational institution issued by the City of Bloomington. The property is zoned R-1 residential by the City. If the Mortgage is foreclosed, the value and marketability of the Mortgaged Property may be adversely affected for many of the uses to which the Mortgaged Property could be put because of the need for a conditional use permit for uses not permitted in an R-1 district.

Reliance on Tuition and Fees

The adequacy of College revenues will be largely dependent on the amount of future tuition revenue received by the College. Such revenue in turn will depend primarily on the ability of the College to charge sufficient rates for tuition and to maintain enrollment levels. Because of the relatively high acceptance rate for applicants to the College, future enrollment levels will depend on the number of students applying to the College. Various factors, including, without limitation, such factors as any increases in tuition rates, decline in the desirability of a chiropractic career, competition from other chiropractic colleges, a change in the number of college-age students generally and adverse general economic conditions, will influence the number of applicants to the College. The perceived desirability of a chiropractic career may be materially adversely influenced by a variety of future circumstances, including, among others, a disproportionate increase in the number of chiropractors, new or existing alternative methods of health care treatment, and a reduction in the extent to which chiropractic fees are payable or reimbursable by third party payors, such as insurance companies and health maintenance organizations, or by government-assisted programs such as Medicare or Medicaid.

Financial Aid

Approximately 86% of the College's students currently receive some form of financial aid covering tuition and fees or living expenses from the College and other sources. No assurance can be given that federal and State financial aid will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

Damage or Destruction

Although the College will be required to obtain certain insurance with respect to the Project as set forth in the Loan Agreement, there can be no assurance that the College will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage is provided in APPENDIX I under the caption "Pro Forma Debt Service by Fiscal Year and Pro Forma Debt Service Coverage." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and debt service requirements for the Bonds and other indebtedness of the College.

College 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 Mortgage or the Bonds or the other obligations of the College. Accordingly, for payment of principal, interest, and premium, if any, on the Bonds, holders of the Bonds must look solely to the Loan Repayments, the Reserve Account, the Mortgaged Property and other funds, if any, held by the Trustee under the Indenture.

Reimbursement Policy Affecting the Health Care Industry and the Impact on the College

A significant component of patient service revenues within the health care industry are or will be derived from third-party payors which reimburse or pay for services provided to patients covered by such third parties for such services, primarily the federal Medicare program, state coordinated Medicaid programs, and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Changes in such laws and regulations relating to reimbursement from such third-party payors could adversely affect the operations and financial results of the health care industry which includes chiropractic treatment. Such an event may have a negative impact on the revenues of the College which are derived from the College's clinical activities.

Bankruptcy

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

Year 2000

Many currently installed computer systems, software products, and other devices which incorporate microprocessors are coded to accept two digit entries in the date field. Time sensitive code may recognize a date using "00" as the year 1900 rather than the year 2000. If not corrected, programs coded this way could fail or create erroneous results by, at, or after January 1, 2000. See also "DTC Year 2000 Readiness" on page 7 and "YEAR 2000 READINESS DISCLOSURE" on page 18.

Other Possible Risk Factors

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

(1) Reinstatement of or establishment of mandatory governmental wage and price controls.

(2) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in revenues.

(3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues.

(4) Adoption of Federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the College.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the College will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College to certain information repositories annually, and to provide notices of the occurrence of the eleven material events enumerated in the Rule to such repositories or the Municipal Securities Rulemaking Board and to the Minnesota state information depository, if any. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement to be executed by the College at the time the Bonds are delivered, a copy of which is available from the College or the Trustee. Appendix III contains a summary of the financial information and operating data to be provided annually, as well as the list of material events. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule. Furthermore, the College has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the College determines that such modification is required by the Rule. The College has not been subject to any previous undertaking and has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the College to comply with the Undertaking will not constitute an event of default under the Loan Agreement, the Indenture or the Bonds (although holders may have other remedies at law or in equity). Nevertheless, if such a failure occurred, it would have to be reported by the College in accordance with the Rule and would have to be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the College pursuant to the Undertaking, could adversely affect the marketability of the Bonds.

THE BONDS

General

The Bonds will be issued in book entry form. The Bonds will be dated January 15, 1999 and will mature annually each October 1, commencing October 1, 1999, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing October 1, 1999.

Book Entry Only System

Depository Trust Company

The Depository Trust Company ("DTC"), New York, NY, 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). One fully registered security 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange, Inc.; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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 of each actual purchaser of each Security ("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, but Beneficial Owners are 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 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 Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 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.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. 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 DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The Authority 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.

DTC Year 2000 Readiness

DTC is currently supporting Year 2000 testing. A home page on the Internet has been established by DTC at www.dtc.org where notices and other information regarding DTC's Year 2000 project progress will be made available to Internet users regarding DTC Year 2000 issues.

The information in this section concerning DTC, DTC's book entry system, and DTC Year 2000 readiness has been obtained from sources that the Authority believes to be reliable, but neither the College nor the Authority takes any responsibility for the accuracy thereof.

Prior Redemption

Mandatory Redemption

The Bonds maturing on October 1, 2013 shall be called for redemption on October 1 in the years 2010 through 2012 at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Term Bonds Due October 1, 2013		
Year		Amount
2010		$465,000
2011		$490,000
2012		$515,000
2013	(maturity)	$545,000

The Bonds maturing in 2013, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

(1) have been delivered to the Trustee for cancellation; or

(2) have been purchased or redeemed (other than through operation of the Sinking Fund Subaccount) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Optional Redemption

Bonds maturing on or after October 1, 2008 are subject to redemption at the request of the College on October 1, 2007, and on any day thereafter, at par plus accrued interest. Redemption may be in whole or in part in such order of maturity as directed by the College and selected by random means within a maturity, in integral multiples of $5,000.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at par and accrued interest in integral multiples of $5,000, in whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities, and upon a Determination of Taxability as provided in the Loan Agreement (see "Determination of Taxability" and "SUMMARY OF DOCUMENTS — The Loan Agreement").

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed.

In the case of Bonds of denominations greater than $5,000, if fewer than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture, the Mortgage or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the date on which the principal of the Bonds is paid. **If a Determination of Taxability should occur, any monetary damages or loss resulting from**

an incident thereto shall be limited to the additional interest on the Bonds. See "TAX EXEMPTION" and Appendix IV, "DEFINITION OF CERTAIN TERMS."

The College will have the option to prepay, to the extent that interest on the Bonds becomes subject to federal income taxes, the Loan represented by the Bonds, in full or in part on the next date for which due notice can be given or any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

Additional Bonds

In addition to the Bonds, the Authority may in its discretion and with the consent of the College issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any portion of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided that no such Additional Bonds will be issued under the Indenture or secured by the Trust Estate on a parity with the Bonds then outstanding unless:

1. The exclusion of interest on the outstanding Bonds from gross income of the holders of the Bonds for purposes of federal income taxation under the Code shall not be jeopardized by the issuance of the Additional Bonds.

2. Supplements to the Mortgage, Indenture and Loan Agreement are executed and delivered describing the Additional Bonds as additional indebtedness secured thereby.

3. No Default or Event of Default on the part of the College exists under the Loan Agreement or the Mortgage.

4. The College furnishes evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants as further provided in Section 6.14 of the Loan Agreement and deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as shall bring the amount on deposit in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of the Additional Bonds.

USE OF PROCEEDS

The Refunding

A portion of the Bond proceeds, together with funds on deposit in certain funds and accounts of the Series Two-X Bonds and funds contributed by the College, will be deposited in an Escrow Account to provide for the refunding of the 1999 through 2005 maturities of the Series Two-X Bonds which will be called on October 1, 1999 at a price of par plus accrued interest.

The Series Two-X Bonds were issued to refinance a Contract For Deed for the purchase of the main College Building, to construct and furnish the Center for Clinical Studies, to refurbish the College's Auditorium and to acquire, improve, furnish and equip the College's teaching clinic in Burnsville, Minnesota.

At the Closing Date, Bond proceeds, together with balances in the reserve fund and other accounts held by the Series Two-X Bonds Trustee and funds from the College will be deposited in an Escrow Account to be established pursuant to an Escrow Agreement among the

Series Two-X Bonds Trustee as Escrow Agent, the Trustee, the College and the Authority. The Escrow Account will be funded with cash and U.S. Treasury securities sufficient to provide for the defeasance of all of the Series Two-X Bonds, which are outstanding in the amount of $3,315,000. In accordance with the trust indenture for the Series Two-X Bonds, the Series Two-X Bonds will no longer be considered outstanding under the Series Two-X Indenture upon such deposit for prepayment and will be payable solely from the Escrow Account.

The Project

Net proceeds of the Bonds will finance the construction and furnishing of the following projects at the College's main campus in Bloomington, Minnesota (the "Project"):

- DeRusha Center for Clinical Education – Build-out of 10,000 square feet and the construction of an 800 square foot entry to connect the Bloomington Campus Clinic with the new building.
- Remodeling of second floor classrooms, faculty offices, and meeting rooms.
- Remodeling of the lower floor of the College, including the campus bookstore, meeting rooms for student organizations, and campus mail room.
- Construction of a new maintenance shop and central storage area.
- Improvement of lighting, fire protection, and central air handling systems on the College's main campus.

The College has retained Eugene M. Branstrom Associates to provide architectural services for the Project. Glen Sandness is the primary contractor. Remaining construction contracts to be let include contracts for faculty offices, the bookstore, and the maintenance facility. Construction on the Project began in June of 1998. The College anticipates that the Project will be substantially completed on or about September of 1999.

Total Project Costs will be approximately $2.442 million. The College has paid approximately $710,000 toward completed portions of the Project and will reimburse itself for this amount out of net Bond proceeds.

SOURCES AND USES OF FUNDS

Sources	
Bond Proceeds	$5,875,000
Less: Original Issue Discount	(25,770)
College Funds	232,076
Series Two-X Bond and Interest Sinking Fund	168,543
Series Two-X Reserve	531,399
Total Sources	$6,781,248
Uses	
Project Costs	$2,442,000
Refunding Escrow	3,594,888
Debt Service Reserve	573,340
Issuance Costs	171,020
Total Uses	$6,781,248

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

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund Account on or before the next interest payment date.

SUMMARY OF SECURITY FOR THE BONDS

General

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account.

The Bonds are secured by a pledge by the Authority to the Trustee of the Loan Repayments which will be a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The College agrees to make such payments out of its operating funds or any other moneys legally available.

The College will covenant and agree pursuant to the terms of the Loan Agreement to charge tuition fees, other fees, rentals and charges which, together with the general funds of the College or any other moneys legally available, will be sufficient at all times to generate 110% of 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.

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the College will mortgage and grant a security interest in the Mortgaged Property to the Authority to secure the College's obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS — The Mortgage"). The Authority will, in turn, assign its interest in the Mortgage to the Trustee.

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

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

Financial Covenants

The College will covenant in the Loan Agreement that:

a. For at least two of the preceding three complete Fiscal Years for which audited financial statements are available, the Revenue/Expenditure Test must be met.

b. For so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded

Debt outstanding which does not increase Maximum Annual Debt Service and further excepting that portion of Funded Debt for capital projects for which the College has written and signed pledges of gifts for such project), unless (i) the Net Income Available for Debt Service for each of the two most recent Fiscal Years for which audited financial statements are available was at least 120% of Maximum Annual Debt Service of (A) then outstanding Funded Debt and (B) Funded Debt thereafter incurred or proposed to be incurred; and (ii) the Liquid Unrestricted Net Assets of the College for the most recent Fiscal Year for which audited financial statements are available were equal to at least 40% of the principal amount of (A) the Outstanding Funded Debt and (B) Funded Debt thereafter incurred or proposed to be incurred; provided that if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for each Fiscal Year during the Test Period for purposes of this paragraph (b), the estimated Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an Independent Management Consultant to the College and the Trustee; and provided further that if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph (b), there shall be added to Net Income Available for Debt Service for each Fiscal Year during the Test Period the amount of such increase net of increased operating expenses, as estimated in a report of an Independent Management Consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be incurred is to finance equipment or facilities which will produce savings in operating costs of the College, as estimated in a report of an Independent Management Consultant to the College and the Trustee, there shall be added to the amount of Net Income Available for Debt Service for each Fiscal Year during the Test Period, for purposes of this paragraph (b), the estimated net savings to be derived from such equipment or facilities in the first Fiscal Year following the estimated date of acquisition or construction of such equipment or facilities. At no time shall the amount of Funded Debt which is variable rate indebtedness exceed 40% of total Funded Debt as shown on the most recent audited financial statements of the College.

c. The College agrees to establish annual tuition and other fees so that the Debt Service Coverage Ratio for the next succeeding Fiscal Year will be at least 110%.

For purpose of these covenants, the following terms shall have the following meanings:

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial report of the College; adjusted to: (a) exclude depreciation and amortization expense, (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment, (c) exclude extraordinary gains or losses, and (d) exclude unrealized net gains or losses on unrestricted investments.

"Debt Service Coverage Ratio" means for any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service during the period by the total amount of principal of and interest required to be paid on Funded Debt during the period.

"Funded Debt" shall mean indebtedness (including a guarantee of indebtedness) for borrowed money having a maturity date of more than one year from the date of creation thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such indebtedness whenever payable if renewable at the sole option of the College for a term (including such renewal) of more than one year pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year from the date of creation thereof unless and to the extent the lender thereunder may at its option require repayment at intervals of one year or less and including lease rental obligations with a term of more than one year which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

“Liquid Unrestricted Net Assets” means, as of any date, the aggregate of the unrestricted cash and unrestricted marketable securities (valued at fair market value) of the College as of such date, from which there shall be subtracted each of the following: (i) the aggregate principal amount of all Short Term Debt of the College as of such date, (ii) the value of all self-insurance liabilities of the College determined by an independent actuary as of such date to the extent not funded by irrevocable deposit with a third-party self-insurance plan trustee, and (iii) any liability of the College under any pension plan or other employee benefit plan as of such date to the extent not funded by irrevocable deposit with a third-party trustee. Liquid Unrestricted Net Assets shall include any debt service reserve fund maintained with respect to Funded Debt of the College (including the Reserve Account established under the Indenture) but shall not include (a) any other funds held by the lender or trustee with respect to any Funded Debt (including any debt service or bond fund or any construction or project fund), (b) any funds held by a self-insurance plan trustee, or (c) any funds held by a trustee or other custodian for any pension plan or other employee benefit plan.

“Maximum Annual Debt Service” means the largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding and as further defined in Section 6.14 of the Loan Agreement.

"Net Income Available for Debt Service" means the Adjusted Increase (Decrease) in Unrestricted Net Assets (plus interest payments on Funded Debt excluding capitalized interest, if any).

"Revenue/Expenditure Test" means the Adjusted Increase in Unrestricted Net Assets shall not be less than zero.

“Short Term Debt” shall mean indebtedness (including a guarantee of indebtedness) for borrowed money which, under generally accepted accounting principles, is shown on the balance sheet as a liability and which is not Funded Debt.

"Test Period" means either the two most recent Fiscal Years for which audited financial statements are available or the most recent Fiscal Year for which audited financial statements are available, as appropriate.

For purposes of (a), (b), and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by Larson, Allen, Weishair & Co., LLP in the report of the College's financial statements for the Fiscal Year ended August 31, 1998.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Escrow Account or into the Construction Account, except that the amount of $573,340 will be deposited into the Reserve Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. See "USE OF PROCEEDS." Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account and the Redemption Account as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account the balance of the proceeds received from the sale of the Bonds, exclusive of accrued interest and the initial deposit to the Reserve Account, less the amount of the underwriter's discount and the amount of the deposit to the Escrow Account. 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 available general funds (other than Bond proceeds) all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (par value minus original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the construction, furnishing and equipping of 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 and Interest Sinking Fund Account and Sinking Fund Subaccount

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. The College shall deposit 1/12 of the principal next due on the first day of the month for each of the twelve months prior to each principal payment date and mandatory redemption date and 1/6 of the interest next due on the first day of the month for each of the six months prior to interest payment dates. A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Term Bonds on each Sinking Fund redemption date. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the Reserve Requirement for the Series Four-Z Bonds. The Reserve Account is irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the

Trustee not less frequently than as of the first day of the calendar month next preceding October 1, 1999 and semiannually thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount (if less than the Reserve Requirement) allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

Interest and income in the Series Four-Z Reserve Account shall be transferred to the Bond and Interest Sinking Fund Account to the extent the balance in the Bond and Interest Sinking Fund Account is less than the amount permitted for a bona fide debt service fund under the Arbitrage Regulations, and any excess interest and income to the Redemption Account. When funds on deposit in the Reserve Account, together with available funds in any other Account, shall be sufficient to pay the principal of and interest on all outstanding Bonds, when due, such funds shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments and state housing finance agencies, rated at least "A"; revenue bond obligations of states and local governments rated at least "AA" or "Aa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements or reverse repurchase agreements collateralized by the foregoing obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least "A"; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

FUTURE FINANCING

The College regularly improves and expands its physical plant and reserves the right to incur long-term financing in compliance with the financial covenants made in the Loan Agreement as needed for these purposes. The College has no plans to incur additional debt within the next nine 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.

J. Luther Anderson has been the Executive Director of the Authority since June 30, 1995. Mr. Anderson was formerly a Senior Vice President with Springsted Incorporated.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $500 million. The Authority has had 113 issues (including refunded and retired issues) totaling $705,676,189, of which $405,287,516 (excluding the Bonds) is outstanding as of January 1, 1999. $16,500,000 of additional bonds have been authorized but unissued as of that date. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. 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 Authority is financed solely from fees paid by the participating institutions; it has no taxing power.

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds are being purchased by Dain Rauscher Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $5,772,854.65 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $76,375.00 and original issue discount of $25,770.35) plus accrued interest with respect to the Bonds.

The Underwriter intends 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 Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter 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 Underwriter and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of "Baa2" to the Bonds. The rating reflects only the view of such rating agency. Further information concerning the rating is available from Moody's. There is no assurance that the 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.

YEAR 2000 READINESS DISCLOSURE

The College

The College has addressed the Year 2000 (Y2K) computer issues within its internal environment. The College believes that centralized data systems (CARS for student, personnel and business records and PACE for clinic billing and patient records) are Y2K compliant. The College has recently refurbished or replaced all personal-computing systems on campus to assure that only Y2K compliant hardware and software are authorized.

Major vendors for College services have been contacted to assess their preparedness for dealing with any Y2K concerns. The financial institutions that the College works with have also assured the College that they are Y2K compliant. However, despite the College's best efforts to prepare itself for the next millennium, there can be no assurances that unforeseen problems will not occur. Additionally, the College does business with significant entities, including the Federal Government, which may have Y2K problems. The College can make no evaluation beyond what has already been done with respect to the extent of Y2K problems for these entities or to what actions they are taking to correct them. The College realizes that Y2K problems for entities with which the College does business may have adverse effects on, or significant cost to, the College.

The statements contained under this caption constitute a Year 2000 Readiness Disclosure by the College, in accordance with the Federal Information and Readiness Disclosure Act.

The Trustee

The Trustee has undertaken a firm-wide initiative to address the year 2000 issue. The Trustee does not believe that the year 2000 will materially affect its ability to perform its functions on behalf of the Trust Estate or have a material financial impact on the Trust Estate. However, there can be no guarantee that the systems of other companies, on which the Trustee's systems rely, will be timely converted or that a failure to convert by another company or a conversion that is incompatible with the Trustee's systems will not have a material adverse effect on the Trust Estate.

LITIGATION

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

LEGALITY

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

Certain legal matters will be passed upon for the College by Peter W. Johnson, Attorney at Law, Wayzata, Minnesota; and for the Underwriter by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota.

TAX EXEMPTION

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

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. (See "THE LOAN AGREEMENT — Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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.

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

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

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

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

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson 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 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 dollar amount of the initial offering price to the public of the Series Four-Z Bonds with stated maturities in 2006 through 2009 and the Term Bonds maturing in 2013 (the "Discount Bonds") may be less than the principal amount of Series Four-Z Bonds of such maturity. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

It is possible under the applicable provisions governing state and local income taxation in states other than Minnesota that interest on Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE COLLEGE

GENERAL

Northwestern College of Chiropractic is a private not-for-profit college, which prepares students for the degree of Doctor of Chiropractic. The College is one of 16 such chiropractic colleges in the United States. The College was founded in 1941 in Minneapolis, Minnesota and has been located since 1983 on its present site at 2501 West 84th Street, Bloomington, Minnesota.

The College is accredited by the Commission on Accreditation of the Council on Chiropractic Education. The Council on Chiropractic Education is approved by the U.S. Department of Education as the accrediting body for chiropractic education and holds membership in the Council on Post-Secondary Accreditation. The College is also accredited by the North-Central Association of Colleges and Schools.

The College does not unlawfully discriminate on the basis of race, color, creed, religion, national origin, sex, marital status, or with regard to public assistance or disability.

ACADEMIC INFORMATION

Prerequisites for admission to the College include the completion of a minimum of two academic years (60 semester credits) of college acceptable toward a baccalaureate degree with a minimum grade point average of 2.5 overall and a science grade point average of 2.0 (on a 4.0 grading scale). Beginning January 1, 2000, the College will require a minimum of 90 semester credits for acceptance.

The Bachelor of Science degree in Human Biology is awarded to those students who fulfill the equivalent of 133.5 trimester credits, with a minimum of 32 of the last 40 trimester credits satisfactorily completed at the College.

The Doctor of Chiropractic degree is awarded to students who satisfactorily complete a minimum of ten trimesters of educational and clinical experience beyond entrance requirements, and who are recommended for the degree by the faculty of the College.

The College's academic program consists of ten equal trimesters. Each trimester is 15 weeks. The average length of time to complete the Doctor of Chiropractic degree is 3.5 to 4 years. Students are admitted for enrollment in September, January, and April. Approximately 125 students are admitted in the fall, approximately 65 students are admitted in the winter, and approximately 25 students are admitted in the spring.

STUDENT BODY

Students who enter the College typically have an average of 3.5 to 4 years of preprofessional college experience and an average grade point of approximately 3.0 (on a 4.0 grading scale). Nearly one-third of the entering class usually have a previously earned college degree. About 35% of the entering class are women and approximately 20% of the students are married.

CHIROPRACTIC COLLEGES IN THE UNITED STATES

Institution or Program (in descending order of Program Cost)	Fall 1997 Enrollment in the Chiropractic Program	Current Total Estimated Program Cost
Los Angeles College of Chiropractic Whittier, CA	826	$54,475
Western States Chiropractic College Portland, OR	475	$54,000
Palmer College of Chiropractic - West Sunnyvale, CA	724	$52,910
Cleveland Chiropractic College Los Angeles, CA	554	$52,040[(a)]
Northwestern College of Chiropractic **Bloomington, MN**	**794**	**$50,885**
National College of Chiropractic Lombard, IL	1,005	$50,454
Sherman College of Chiropractic Spartanburg, SC	398	$49,863
New York Chiropractic College Glen Head, NY	936	$49,640
Life Chiropractic College - West San Lorenzo, CA	812	$49,300[(b)]
University of Bridgeport Bridgeport, CT	218	$49,292
Palmer College of Chiropractic Davenport, IA	1,781	$48,745
Cleveland College of Chiropractic Kansas City, MO	557	$48,651[(a)]
Logan College of Chiropractic Chesterfield, MO	1,095	$46,570
Texas Chiropractic College Pasadena, TX	456	$46,125
Life College Marietta, GA	3,300	$46,053
Parker College of Chiropractic Dallas, TX	1,250	$44,385

[(a)] *The Cleveland Chiropractic Colleges offer 9 and 12 term programs; the costs cited are for the 9 term programs. The program cost for the 12 term program is $300 to $500 higher.*

[(b)] *Life Chiropractic College-West requires all students to obtain their own laboratory equipment, pay for materials, etc.; essentially, if students can borrow supplies or lab equipment, they can avoid any lab fees. If lab fees are incurred, they are in addition to the program costs cited above.*

CHIROPRACTIC MEDICINE

Council on Chiropractic Education Definition of Chiropractic

A Doctor of Chiropractic is a physician concerned with the health needs of the public as a member of the healing arts. A chiropractor gives particular attention to the relationship of the structural and neurological aspects of the body in health and disease. Chiropractic science concerns itself with the relationship between structure, primarily the spine, and function, primarily coordinated by the nervous system, of the human body as the relationship may affect the restoration and preservation of health. A chiropractor is educated in the basic and clinical sciences as well as in related health subjects.

The Doctor of Chiropractic is prepared by a professional education to be a primary health care provider. As a portal of entry to the health delivery system, the chiropractic physician must be well educated to diagnose, including, but not limited to, spinal analysis, to care for the human body in health and disease, and to consult with, or refer to, other health care providers.

History of Chiropractic

In 1865, Daniel David Palmer administered the first chiropractic adjustment to a patient in Davenport, Iowa, and is recognized as the founder of the chiropractic profession. Chiropractic doctors are licensed to practice in all 50 states, and their clinical activities are regulated by state licensing boards. In approximately three-quarters of the states, including the State of Minnesota, chiropractic care is included in health and accident insurance coverage by law. Nearly all states include chiropractic treatment in worker's compensation programs. At the federal level, chiropractic care is included in Medicare and Medicaid coverage.

In 1995, median income for chiropractors was about $80,000, after expenses, according to the American Chiropractic Association.

Outlook for Chiropractic

(Source: Bureau of Labor Statistics 1998-99 Occupational Outlook Handbook)

Chiropractors, also known as doctors of chiropractic or chiropractic physicians, diagnose and treat patients whose health problems are associated with the body's muscular, nervous, and skeletal systems, especially the spine. Chiropractors believe interference with these systems impairs normal functions and lowers resistance to disease. They also hold that spinal or vertebral dysfunction alters many important body functions by affecting the nervous system, and that skeletal imbalance through joint or articular dysfunction, especially in the spine, can cause pain.

All states and the District of Columbia regulate the practice of chiropractic and grant licenses to chiropractors who meet educational requirements and pass a state board examination. Chiropractors can practice only in states where they are licensed. Some states have agreements that permit chiropractors licensed in one state to obtain a license in another without further examination.

Chiropractors held about 44,000 jobs in 1996. About 70 percent of active chiropractors are in solo practice. The remainder are in group practice or work for other chiropractors. A small number teach, conduct research at chiropractic institutions, or work in hospitals and clinics.

Job prospects are expected to be good for persons who enter the practice of chiropractic. Employment of chiropractors is expected to grow faster than the average for all occupations (i.e., to increase 21 to 35 percent) through the year 2006 as consumer demand for alternative medicine grows.

Demand for chiropractic treatment is also related to the ability of patients to pay, either directly or through health insurance. Although more insurance plans now cover chiropractic services, details of such coverage vary among plans. Increasingly, chiropractors must educate communities about the benefits of chiropractic care, in order to establish a successful practice.

GOVERNANCE

The Board of Trustees governs the College, which consists of not less than nine nor more than fifteen elected Trustees. All Trustees, except ex-officio Trustees, are elected by the Board of Trustees for terms of three years. Ex-officio Trustees are the President of the College, the President of the Alumni Association of the College, and the President of the Minnesota Chiropractic Association. The President of the College and the President of the Minnesota Chiropractic Association may not vote.

Members of the Board of Trustees

Principal Executive Officers

The following information is a list of the principal executive officers of the College. It includes a description of their responsibilities, duties, and background.

John F. Allenburg (age 68), DC, DABCO, President

The President of the College serves as its Chief Executive Officer. As educational and administrative head of the College, the President exercises general superintendence over all affairs of the institution. The President interprets and implements policy as established by the Board of Trustees, recommends policy to the Board for their approval and is the College liaison to that body. The President's duties also include the maintenance of a positive and professional image of the College and primary representation of the College to the profession and community. The duties of the President of the College are detailed in Article VIII of the Bylaws.

Dr. Allenburg has served as President since March, 1992. Dr. Allenburg's service to Northwestern College of Chiropractic began in the 1960's. He served as Clinic Director, Dean of Clinics, and Dean of Chiropractic Studies (chief academic officer). Dr. Allenburg's service to the profession included three terms as a member of the Commission on Accreditation and Board of Directors of the Council on Chiropractic Education. Dr. Allenburg holds a Doctor of Chiropractic degree from Logan College in St. Louis, Missouri.

The President is served by his executive officers, who provide consultation on significant operational issues and policy considerations, and by the Management Committee, which advises the President at his request on all issues pertaining to the operation of the College. This key administrative committee includes the executive officers, associate academic deans, and the Presidents of Faculty Senate, Employee Council, and Student Senate. The President of the College may appoint one or more Vice Presidents of the College, with the approval of the Board of Trustees. Currently, four Vice Presidents and a senior administrator for the College's clinics serve the President.

Charles E. Sawyer (age 49), DC, BA, DACBN, Vice President for Academic Affairs and Research

The Vice President for Academic Affairs and Research is the Chief Academic Officer of the College. He oversees the academic program and curriculum; implements high academic standards and instruction. The Vice President directly supervises the Divisional Associate Deans, Director of Library Services and the Registrar. He is advisor to the Dean of Clinics on clinic educational programs and, in close cooperation with the Dean, is responsible for the design and implementation of clinical competency assessment processes in the academic terms leading up to the clinic educational programs.

The Vice President is additionally the chief administrative officer for the management of research activities of the College, is responsible for the coordination of Center for Clinical Studies research, and directly supervises the research faculty. Dr. Sawyer received his Doctor of Chiropractic degree from the College in 1977 and a BA in physical education from St. Thomas University in St. Paul, Minnesota.

David A. Gabrielson (age 47), Ph.D., Vice President for Administrative Affairs

The Vice President for Administrative Affairs is the chief financial officer of the College. He is responsible for the development and supervision of business services and finance, bookstore and purchasing center, information systems, food service, the physical plant, student financial aid, financial investments, postgraduate education, and graduate degree programs. The Vice President for Administrative Affairs directly supervises the Comptroller, Director of the Bookstore and Purchasing, Chief Information Systems Officer, Director of Facilities, Director of Financial Aid, and Director of Postgraduate and Continuing Education. Dr. Gabrielson holds a Ph.D. and an MS in microbiology from the University of North Dakota in Grand Forks, North Dakota and a BA in biology and chemistry from Concordia College in Moorhead, Minnesota.

James E. McDonald (age 49), MBA, MS, Vice President for Institutional Advancement

The Vice President for Institutional Advancement is responsible for the development and implementation of programs to enhance the image, public and professional recognition and acceptance of the College; the relationships between the College and individuals, organizations, and alumni; the career development and advancement of students and alumni; and development, fundraising and other activities that result in financial and material contributions to the College. The Vice President for Institutional Advancement directly supervises the Director of Admissions, Director of Alumni Relations, Director of Communications, Development Associate and Career Services assistant. Mr. McDonald holds an MBA from St. Thomas University in St. Paul, Minnesota and received a BS and MS in biology from California Polytechnic State University in San Luis Obispo, California.

Larry A. Kuusisto (age 46), DC, BS, Vice President for Student Affairs

The Vice President for Student Affairs is responsible for the development and administrative implementation of programs of excellence in student affairs, psychological counseling services, athletic and social activities, student advising and tutorial programs and the chiropractic paraprofessional program. He is the administrative link with the Behavioral Standards Committee and supervises the College Counselor. Dr. Kuusisto received his Doctor of Chiropractic degree from the College in 1980. He holds a BA in speech communications and a Ph.D. in Educational Policy and Administration from the University of Minnesota, Minneapolis, Minnesota.

Bradley D. Wildberg (age 44), DC, DACRB, Administrator of Clinics

The Administrator of Clinics is responsible for all services provided by the College's clinics. He is responsible for planning and training in addition to fostering the growth and development of clinical services in terms of patient volume, breadth of services provided, marketing of services, and both internal and external information programs. Dr. Wildberg received his Doctor of Chiropractic from the College in 1980.

The President is also directly served by the Director of Human Resources, the Director of Planning and Continuous Improvement, and the Director of Interdisciplinary Services.

PHYSICAL PLANT

Main Campus

In support of its educational mission, the College owns and operates the main campus in Bloomington, Minnesota and public clinics in Burnsville, Minnesota and St. Paul, Minnesota. The main campus is the home to the largest public clinic, which, in addition to patient care, also supports the College's research mission. The College leases space for a public clinic connected to Abbott Northwestern Hospital that is part of its interdisciplinary outreach efforts. The College also partners with the School of Nursing at Metropolitan State University in St. Paul, Minnesota, in providing care at their community health clinic.

The main campus, excluding the campus clinic, has over 194,000 square feet available for use, and is situated on 25 acres of property. Although the predominant use of the facility is for educational purposes, the College has several hallmark features. Athletic amenities include a 35'x75' swimming pool in a natatorium that seats over 200 people; a 65'x90' gymnasium; and a recently renovated 3,400 square foot fitness center that includes an aerobics studio.

The College has eight classrooms dedicated to lecture and discussion format, four specialized laboratory spaces dedicated to basic sciences instruction, and eight laboratory spaces dedicated to clinical and chiropractic sciences instruction. The Greenawalt Library houses the College's bound volume and serials collections, provides student access to computing resources, and contains quiet and group study areas. The Library was extensively renovated in 1995/96. The campus bookstore has 3,000 square feet dedicated to support the needs of the campus community and field practitioners. A 6,600 square foot dining area is located on the first floor of the main campus, with an adjacent commercial kitchen.

Over the past four years, the College has invested over $1 million in internally financed facilities renovation and expansion, including the extensive renovation and expansion of the Greenawalt Library. Because of the College's commitment to renovation during this period, ample opportunities have been provided to review compliance with all local, state, and federal regulations regarding building code issues. The College is systematically adding fire-sprinkling protection to the campus as it replaces ceilings and lighting. This internally financed project should be completed by the year 2000.

Clinical Facilities

<u>Wolfe-Harris Center for Clinical Studies and Campus Clinic</u>

This facility is approximately 17,800 square feet in size, and was constructed as part of a 23,000 square foot addition to the main campus of the College in 1991. The facility houses the Research Department offices, two conference rooms, a large reception and patient records area, 17 treatment rooms, 7 examination rooms, an x-ray room and adjacent dark room, a physiotherapeutics room, intern study room, six offices, a centralized billing office suite, and a 2,600 square foot rehabilitation suite.

<u>Student Health Service</u>

This facility is approximately 3,700 square feet located on the second floor of the main campus. The space is divided into 13 treatment rooms, an x-ray room and adjacent dark room, a large open area for physical therapy treatment, four offices, and a reception area that also contains clinic files. This service will move into the new DeRusha Center for Clinical Education when it is finished. (The DeRusha Center for Clinical Education is part of the Project.)

The following clinics are not subject to the Mortgage granted as part of this financing:

<u>Burnsville Clinic (12445 River Ridge Road, Burnsville, Minnesota)</u>

The clinic is about 3,500 square feet and consists of 10 treatment rooms, an x-ray room and adjacent dark room, laboratory area, physiotherapeutics equipment, intern study room, two offices, and a reception area that maintains patient records and coordinates with centralized billing.

St. Paul Clinic (621 South Cleveland Avenue, St. Paul, Minnesota)

This clinic has approximately 5,200 square feet of space available on two levels. The clinic space consists of 11 treatment rooms, an x-ray room and adjacent dark room, laboratory area, physiotherapeutics equipped, intern study room, two offices, and a reception area that maintains patient records and coordinates with centralized billing.

Minneapolis Clinic (2800 Chicago Avenue, Minneapolis, Minnesota)

The College leases this space, which is connected to Abbott Northwestern Hospital and the Institute for Low Back Care. The facility consists of 1,270 square feet of space, configured to accommodate 4 treatment rooms, an x-ray room and adjacent dark room, physiotherapeutics equipped, two offices, and a reception area that maintains patient records and coordinates with centralized billing.

Metro State Community Health Clinic (700 East 7th Street, St. Paul, Minnesota)

This clinic has approximately 3,500 square feet of space available on two levels. The clinic opens to a lower level of the new Main Building and has a street-level handicapped access and parking. Clinic space consists of treatment rooms, an x-ray room, adjacent dark room, and laboratory. Northwestern College of Chiropractic operates the community health clinic in cooperation with the Nursing Program at Metropolitan State University.

Other Features of College Facilities

In 1996/97 the College finished the relocation and renovation of its central computing environment. The area now occupies approximately 2,400 square feet and is configured to include a secure central equipment area, a help desk area, two offices for Information Systems Department staff dedicated to support for the campus network, and a training facility with 18 work stations (expandable to 22).

Faculty offices for the basic sciences and the chiropractic and clinical sciences are located on the second floor of the main campus. The environment consists of 28 faculty offices, one conference room, one workroom, and two secretarial office suites. All faculty offices have telephones, computers, and network connections with Internet access.

ENROLLMENT

Fall Term FTE Enrollments

	1993/94	1994/95	1995/96	1996/97	1997/98
Actual	577	606	701	746	750

The Board has adopted a plan to cap enrollment. The enrollment of the College is now at the maximum level.

Geographic Distribution of Student Body - Average per Trimester

	1993/94	1994/95	1995/96	1996/97	1997/98
Minnesota	212	219	228	235	239
Wisconsin	51	52	61	69	84
North Dakota	36	39	48	57	64
New York	7	8	10	9	7
Iowa	31	40	43	41	39
Other States	113	144	148	163	178
Foreign Origin	85	108	142	157	144

Application, Admissions and Enrollment*

	1993/94	1994/95	1995/96	1996/97	1997/98
Applicants	442	436	451	501	488
Acceptances	369	371	404	438	419
% Accepted	83.5%	85.1%	89.6%	87.4%	85.9%
Enrolled	206	212	233	227	242
% Enrolled	55.8%	57.1%	57.7%	51.8%	57.8%

* *Each academic year is a summary of the three enrollment periods.*

Second Year Retention of First Year Students

	1993/94	1994/95	1995/96	1996/97	1997/98
Retention Percentage	92.9%	93.9%	90.5%	92.1%	95.6%

TUITION AND FEES

The College meets the costs of its educational program primarily through tuition and fees. Although an academic year for purposes of determining financial aid eligibility of students is two trimesters, the College has three trimesters of academic programs per calendar year.

	1994/95	1995/96	1996/97	1997/98	1998/99
Tuition per Trimester	$4,400	$4,600	$ 4,800	$ 4,965	$ 5,165
Average Fees per Trimester	$ 225	$ 210	$ 200	$ 195	$ 245
Tuition and Fees per Academic Year	$9,250	$9,620	$10,000	$10,320	$10,820

FINANCIAL AID

	1993/94	1994/95		1995/96	1996/97	1997/98
Loans						
Perkins	$ 686,383	$ 666,100		$ 1,125,600	$ 1,121,405	$ 951,234
Stafford	$ 4,892,912	$ 5,529,965		$ 6,101,020	$ 6,813,788	$ 7,169,344
Stafford (unsubsidized)	$ 4,222,964	$ 4,873,405		$ 5,414,349	$ 6,623,717	$ 6,695,880
HEAL	$ 41,721	$ 4,729	(a)	---	---	---
Total Loans	$ 9,843,980	$11,074,199		$12,640,969	$14,558,910	$14,816,458
Grants:						
Federal	$ 81,833	$ 65,789		$ 84,955	$ 94,807	$ 95,437
State	$ 55,384	$ 70,103		$ 74,918	$ 60,419	$ 40,846
Work Study	$ 194,991	$ 242,746		$ 248,567	$ 238,827	$ 264,482
Total Grants	$ 332,208	$ 378,638		$ 408,440	$ 394,053	$ 400,765
Total All Financial Aid	$10,176,188	$11,452,837		$13,049,409	$14,952,963	$15,217,223
% Students Receiving Financial Aid	90%	84%		70%	85%	86%
Average Financial Aid per Student[b]	$ 19,440	$ 19,890		$ 20,710	$ 21,360	$ 21,820

[a] *Participation in the HEAL loan program was discontinued after 1994/95.*

[b] *Average aid for a two-trimester period. The "Total All Financial Aid" figures include room, board, and cost of living expenses in addition to tuition and fees.*

FACULTY AND STAFF

	1993/94	1994/95	1995/96	1996/97	1997/98
Full-time Faculty	39	39	38	47	44
Part-time Faculty	18	19	22	25	23
Total	57	58	60	72	67
Faculty with Doctorates	54	54	53	63	59
Mean Salary, FT Faculty	$41,537	$44,691	$43,587	$43,953	$46,510
Full-time Staff	81	86	85	90	96
Part-time Staff	16	15	22	22	27
Total	97	101	107	112	123

Pensions

The College participates in the Teachers Insurance and Annuity Association and College Retirement Equities Fund program (TIAA/CREF) which covers full-time faculty and staff employees. Benefits are based upon amounts accumulated for the account for each individual employee at date of retirement.

UNIONS AND BARGAINING UNITS

The College employees, faculty and staff, are not represented by any unions or bargaining units.

FUND RAISING

The College has sought funds from alumni to help defray the costs of the DeRusha Center for Clinical Education. Approximately $240,000 was pledged in February 1998 with the expectation that donors would make their contributions over a three-year period. The College has collected over $100,000 of the pledged dollars in less than 10 months. Although the funds were pledged to the College in response to the DeRusha Center for Clinical Education initiative, they are not restricted in their use. It is anticipated that total receipts will exceed the amount of the original pledges in significantly less time than the original three-year period.

FINANCIAL INFORMATION

Financial Statements

The College's fiscal year ends August 31 of each year. Financial records have historically been maintained on the fund accounting system and financial statements are prepared on the accrual basis of accounting. Appendix VI sets forth the financial statements of the College for the Fiscal Years ended August 31, 1998 and August 31, 1997, audited by Larson, Allen, Weishair & Co., LLP, Minneapolis, Minnesota. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

The presentation of financial statements prepared for the Fiscal Year ended August 31, 1996 and thereafter is significantly different from the presentation contained for prior Fiscal Years. The Financial Accounting Standard Board ("FASB") adopted two Statements of Financial Accounting Standards ("SFAS"), SFAS No. 116 and SFAS No. 117, which affected financial reporting by not-for-profit organizations. These standards affected the College's financial statements beginning with the Fiscal Year ended August 31, 1996. Changes in presentation impair the comparability between financial statements for the Fiscal Years ended prior to August 31, 1996 and financial statements for 1996 and thereafter.

SFAS No. 116 established accounting standards for contributions and applies to all entities that receive or make contributions. Generally, contributions received, including unconditional promises to give, are now recognized as revenues, at their fair values, in the period received. This is a departure from prior standards under which colleges did not recognize promises to give until the asset was in hand.

SFAS No. 117 established standards for general-purpose external financial statements that are more comparable to for-profit entities. The new statement requires classification of an organization's net assets, as well as its revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires three classes of net assets, permanently restricted, temporarily restricted and unrestricted, to be displayed in a statement of financial position. It also requires the amount of change in each of those classes of net assets to be displayed in a statement of activities. Revenues that are classified as temporarily restricted or permanently restricted consist almost entirely of donor-restricted contributions. Most other types of revenue are accounted for in the unrestricted asset class.

Summaries of Unrestricted Revenues and Expenses

The table on page I-13 sets forth summaries of unrestricted revenues and expenditures and other changes for the College's Current Fund for the Fiscal Years ended August 31, 1994 and 1995. The table on page I-14 sets forth the College's statements of unrestricted activities for the Fiscal Years ended August 31, 1996 through 1998. These tables should be read in conjunction with the financial statements found in Appendix VI.

Northwestern College of Chiropractic
Statements of Current Funds Revenues, Expenditures and Other Changes

For the Years Ended August 31

	1994	1995	1996	1997	1998
REVENUES					
Student Tuition and Fees	$ 6,927,665	$ 8,014,451			
Postdoctoral Tuition	700,188	734,175			
Clinical and Northwestern Lab Fees	971,010	1,014,565			
Auxiliary Expenses	826,786	924,561			
Rental Income	77,465	96,951			
Private Gifts and Grants	74,897	37,645			
Government Grants					
Investment Income	60,890	93,238			
Other Sources	69,070	91,640			
Total Revenues	$ 9,707,971	$ 11,007,226			
EXPENDITURES					
Instruction and Clinics	$ 4,033,010	$ 4,059,048			
Research	307,715	301,804		**SEE STATEMENT OF**	
Academic Support	757,458	899,966			
Student Services	797,760	955,650		**UNRESTRICTED ACTIVITIES**	
Institutional Support	1,232,167	1,521,211			
Operation and Maintenance of Physical Plant	682,332	689,130			
Student Aid	119,167	133,499			
Subtotal	$ 7,929,609	$ 8,560,308			
Auxiliary Enterprises	718,661	832,663			
Total Expenditures	$ 8,648,270	$ 9,392,971			
INCREASE IN FUND BALANCE BEFORE TRANSFERS AND OTHER CHANGES	$ 1,059,701	$ 1,614,255			
TRANSFERS AND OTHER CHANGES					
Mandatory Transfers:					
Current Fund Matching Grant	$ (28,840)	$ (45,850)			
Nonmandatory Transfers:					
For Board-Designated Reserves	(120,472)	(250,000)			
Contribution to Center for Clinical Stuc	140,000	285,000			
Satisfaction of Program Restrictions	15,343	80,217			
Canadian Loans	(141,131)	(121,462)			
Reserves from Current Fund	(924,601)	(1,562,160)			
Total Transfers and Deductions	$ (1,059,701)	$ (1,614,255)			
NET DECREASE IN FUND BALANCE	$ -	$ -			

Source: College's Audited Financial Statements

Northwestern College of Chiropractic
Statements of Unrestricted Activities

For the Years Ended August 31

	1994	1995	1996	1997	1998
REVENUES					
Tuition and Fees			$ 9,363,817	$ 10,431,231	$ 11,173,511
Less: Financial Aid and Scholarships			0	(441,082)	(385,470)
Net Tuition and Fees			$ 9,363,817	$ 9,990,149	$ 10,788,041
Postdoctoral Tuition			733,087	714,884	865,906
Clinical and Northwestern Lab Fees			945,354	1,042,496	1,188,353
Auxiliary Expenses			1,036,113	1,107,213	1,108,426
Lawful Gambling			2,193,130	2,347,848	2,333,926
Rental Income			65,101	43,496	44,284
Private Gifts and Grants			316,156	295,489	150,663
Government Grants			201,026	353,166	206,818
Investment Income (Loss)			375,872	1,041,547	(44,775)
Other Sources			144,458	91,139	95,786
Loss on Writedown or Sale of Assets				(151,016)	(35,100)
Unrealized Gains on Investments			54,377		
Net Assets Released from Restrictions			19,385	38,283	75,112
Total Revenues			$ 15,447,876	$ 16,914,694	$ 16,777,440
EXPENSES	**SEE STATEMENTS**				
Program:					
Instruction and Clinics	**OF CURRENT FUNDS**		$ 4,057,341	$ 5,127,258	$ 5,282,342
Research			386,156	613,855	551,793
Academic Support	**REVENUES,**		772,056	917,106	946,875
Student Services			901,250	1,185,597	1,157,684
Institutional Support	**EXPENDITURES**		1,587,511	2,256,346	2,349,347
Operation of Physical Plant			1,470,991		
Auxiliary			902,932	956,964	862,092
Student Aid			371,648		
Total Program			$ 10,449,885	$ 11,057,126	$ 11,150,133
Support:					
Management and General			$ 949,814	$ 1,144,378	$ 1,404,849
Fund Raising:					
Other Fundraising Expenses			$ 90,253	$ 106,766	$ 116,119
Lawful Gambling Expenses			1,979,417	2,140,993	2,157,235
Total Fund Raising			$ 2,069,670	$ 2,247,759	$ 2,273,354
Total Support			$ 3,019,484	$ 3,392,137	$ 3,678,203
Total Expenses			$ 13,469,369	$ 14,449,263	$ 14,828,336
INCREASE IN NET ASSETS BEFORE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES			$ 1,978,507		
Effect of Change in Accounting Principles			(3,655,906)		
CHANGE IN NET ASSETS			$ (1,677,399)	$ 2,465,431	$ 1,949,104
Net Assets -- August 31 prior year			12,148,205	10,470,806	12,936,237
NET ASSETS -- AUGUST 31 THIS YEAR			$ 10,470,806	$ 12,936,237	$ 14,885,341

Source: College's Audited Financial Statements

Long-Term Debt of the College as of December 1, 1998

1. $5,155,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-X, dated September 1, 1990; interest rates range from 7.00% to 8.50%; final maturity due October 1, 2005; $3,315,000 outstanding. The bonds are a general obligation of the College, secured by a first mortgage on the main campus in Bloomington, Minnesota, and a debt service reserve fund. These bonds are being advance refunded with a portion of the proceeds of the Series Four-Z Bonds.

2. Capital leases for certain computers, equipment, and a phone system, which expire at various dates. The cost of equipment recorded under capital leases is $299,542 at August 31, 1998.

Pro Forma Debt Service by Fiscal Year and Pro Forma Debt Service Coverage Statement

The table on page I-16 shows (i) the debt service for each Fiscal Year on the Series Four-Z Bonds; (ii) the debt service of the College for each of the listed Fiscal Years ending August 31 with respect to all existing long-term indebtedness; (iii) the combined total debt service for each of such Fiscal Years; and (iv) the debt service coverage ratio for the combined annual debt service provided by the "net income available for debt service" for the Fiscal Year ending August 31, 1998, as further detailed in footnote (c) of the table.

The table is intended merely to show the relationship of Fiscal Year 1998 revenues of the College available for the payment of debt service to a pro forma statement of combined annual debt service of the College based on actual debt service requirements for the Bonds. It is not intended and should not be considered a projection of future revenues, expenses, debt service and debt service coverage of the College. There is no assurance that the future net income available for debt service, debt service, and debt service coverage of the College or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following table.

Pro Forma Debt Service by Fiscal Year and Pro Forma Debt Service Coverage

This table should be read in conjunction with the explanation and assumptions appearing on page I-15.

Fiscal Year Ending Aug. 31,	Actual Debt Service on the Bonds (a)	Outstanding Long Term Debt Service (b)	Pro Forma Combined Long Term Debt Service	Net Income Available for Debt Service (c)	Pro Forma Coverage (Times)
(1)	(2)	(3)	(4)	(5)	(6)
1999	$0	$640,129	$640,129	$3,398,985	5.31
2000	556,876	80,863	637,739	3,398,985	5.33
2001	559,411	48,441	607,852	3,398,985	5.59
2002	557,586	36,186	593,772	3,398,985	5.72
2003	559,683	0	559,683	3,398,985	6.07
2004	555,861	0	555,861	3,398,985	6.11
2005	556,086	0	556,086	3,398,985	6.11
2006	555,218	0	555,218	3,398,985	6.12
2007	558,343	0	558,343	3,398,985	6.09
2008	555,430	0	555,430	3,398,985	6.12
2009	556,205	0	556,205	3,398,985	6.11
2010	555,505	0	555,505	3,398,985	6.12
2011	557,690	0	557,690	3,398,985	6.09
2012	557,860	0	557,860	3,398,985	6.09
2013	556,730	0	556,730	3,398,985	6.11
2014	559,170	0	559,170	3,398,985	6.08
Totals:	$8,357,654	$805,619	$9,163,273		

Notes:

(a) Based on actual interest rates.

(b) Reflects refunding of Series Two-X Bonds.

(c) Calculation of Net Income Available for Debt Service, based on audited financial statements for the Fiscal Year ended August 31, 1998.

	Increase in Unrestricted Net Assets:	$1,949,104
Plus:	Depreciation and Amortization	560,595
	Debt Service Interest	319,926
	Unrealized Losses on Investments (net)	569,360
	Net Income Available for Debt Service:	$3,398,985

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON LLP

2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
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$____________
Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Four-Z
(Northwestern College of Chiropractic)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Mortgage Revenue Bonds, Series Four-Z (Northwestern College of Chiropractic), in the aggregate principal amount of $_________ (the "Bonds"), dated January 15, 1999, in the denomination of $5,000 each and integral multiples thereof, maturing on October 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

October 1 of the Year	Amount	Basic Interest Rate	October 1 of the Year	Amount	Basic Interest Rate

The Bonds are subject to mandatory sinking fund and optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. Interest on the Bonds is payable on each April 1 and October 1, commencing October 1, 1999. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds are subject to additional interest and optional redemption. Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Norwest Bank Minnesota,

Minneapolis Denver Des Moines London Frankfurt

National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to Northwestern College of Chiropractic, a Minnesota nonprofit corporation and institution of higher education located in the City of Bloomington, Minnesota (the "College"), in order to finance improvement and equipping of educational facilities and refund certain outstanding revenue bonds of the Authority. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College, the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage") from the College to the Authority, and assigned to the Trustee, and the Trust Indenture (the "Indenture") between the Authority and the Trustee, each dated as of January 15, 1999, one or more opinions of Peter W. Johnson, Attorney at Law, Wayzata, Minnesota, as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Peter W. Johnson, Attorney at Law, as to the Loan Agreement and the Mortgage having been duly authorized and executed and being binding upon the College and as to the corporate organization, tax-exempt status, good standing and powers of the College, and upon a title commitment issued by Chicago Title Insurance Company as to title to the Project Site (as defined in the Loan Agreement and Indenture), without examining the records of the College or original title records or abstracts of title.

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

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

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

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

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on

the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payment held by the Trustee under the Loan Agreement.

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

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

Dated at Minneapolis, Minnesota, February ___, 1999.

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ANNUAL REPORT INFORMATION

The Annual Report Date will be the earlier of (a) thirty days after the Board of Trustees of the College approves and accepts the audited financial statements or (b) 270 days after the fiscal year-end, commencing with the fiscal year ended August 31, 1999. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.

2. The following financial and operating data contained in Appendix I to the Final Official Statement:

   a. Provide information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

      - Student Body
      - Enrollment
      - Tuition and Fees
      - Financial Aid
      - Faculty and Staff

   b. Provide information as to gifts, bequests and grant support for the most recent complete fiscal year.

   c. Provide information as to any publicly-announced capital campaign, including stated goals and progress toward the goals.

   The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, are as follows:

   (i) Principal and interest payment delinquencies;
   (ii) Non-payment related defaults;
   (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
   (iv) Unscheduled draws on credit enhancements reflecting financial difficulties (this is not applicable to the Bonds);
   (v) Substitution of credit or liquidity providers, or their failure to perform (this is not applicable to the Bonds);
   (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
   (vii) Modifications to rights of security holders;
   (viii) The giving of notice to redeem any Bonds other than for a sinking fund redemption;
   (ix) Defeasances;
   (x) Release, substitution, or sale of property securing repayment of the securities and;
   (xi) Rating changes.

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APPENDIX IV

DEFINITION OF CERTAIN TERMS

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

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the College pursuant to Section 2.09 of the Indenture.

Authority: The Minnesota Higher Education Facilities Authority, its successors and assigns.

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 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 certain officers of the College or its Board of Trustees. 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 5.04 thereof.

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 Resolution: The Series Resolution of the Authority to be adopted on January 20, 1999, authorizing the Series Four-Z Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: The Series Four-Z Bonds and any Additional Bonds then outstanding.

Bond Year: (a) The period from the Issue Date to the close of business on October 1, 1999 and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Series Four-Z Bonds, if paid at their stated maturity dates, shall be outstanding.

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 from funds other than the proceeds of the Prior Bonds or the Bonds.

Business Day: Any day other than Saturday, Sunday, a legal holiday in the State of Minnesota, or any other day that banks in Minnesota, or DTC or its successor as depository, are not open for business.

Clinic Building: The outpatient clinic building included in the Series Two-X Project.

College: Northwestern College of Chiropractic, a Minnesota nonprofit corporation, its successors and assigns.

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.

Date of Taxability: That date as of which interest on the Series Four-Z Bonds shall be determined to be includable in the gross income of the Owners thereof.

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

Escrow Account: The Escrow Account created under the Escrow Agreement.

Escrow Agreement: The Escrow Agreement dated as of January 15, 1999 among the Prior Bonds trustee as the Escrow Agent, the Trustee, the Authority, and the College.

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in Appendix V — SUMMARY OF DOCUMENTS under the headings "THE INDENTURE — Events of Default" and "THE LOAN AGREEMENT — Events of Default."

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

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

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

Holder, Bondholder, or Owner: The person in whose name a Bond is registered, except, if any Bond is in book entry form, with respect to any consent or approval, the terms shall mean the beneficial owner of the Bond.

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of January 15, 1999, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: Northwestern College of Chiropractic, a Minnesota institution of higher education with its main campus located in Bloomington, Minnesota and owned and operated by the College.

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

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the College relating to the Series Four-Z Bonds, dated as of January 15, 1999, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee pursuant to the Loan Agreement.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of January 15, 1999 from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

Mortgaged Property: The land, improvements, and all other tangible or intangible property which is subject to the lien of the Mortgage.

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 and the Trustee as secured party pursuant to the Mortgage, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority, plus investment earnings thereon.

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) the Mortgage, and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement and Exhibit C to the Mortgage.

Prior Bonds: The Series Two-X Bonds.

Project: (a) improvement, furnishing and equipping the main educational building, including furnishing the 10,000 square foot lower level for student health services and remodeling two floors for classroom, laboratory, office and other purposes, (b) construction of a central maintenance and storage area, and (c) improvement of lighting, fire protection and central air handling systems on the Project Site.

Project Buildings: The facilities to be acquired, improved or constructed with proceeds of the Bonds, including investment earnings, and any other building excluding the Clinic Building constructed or improved with proceeds of the Prior Bonds, including investment earnings.

Project Costs: Costs properly payable from the Construction Account in relation to the Project.

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

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

Project Site: The land on which any Project Building is or is to be located or otherwise improved as part of the Project.

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

Regular Record Date: The 15th day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Reserve Account: The Reserve Account established under the Indenture, into which at Bond Closing will be placed Bond proceeds in the amount equal to the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account and the Redemption Account are not sufficient thereof and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Reserve Requirement: (i) If no Additional Bonds are outstanding, the lesser of maximum amount of principal of and interest on the Series Four-Z Bonds payable in any remaining Bond Year or 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Series Four-Z Bonds or 125% of the average annual debt service of the Series Four-Z Bonds; (ii) if Additional Bonds are outstanding, the sum of (A) the amount set forth in subsection (i) plus (B) the lesser of the maximum amount of principal of and interest on Additional Bonds payable in any remaining Bond Year or 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Additional Bonds or 125% of the average annual debt service of the Additional Bonds.

Series Four-Z Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Four-Z (Northwestern College of Chiropractic).

Series Two-X Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-X (Northwestern College of Chiropractic), dated September 1, 1990 in the original principal amount of $5,155,000.

Series Two-X Project: The (a) purchase of land and building at the main campus, (b) construction of the Center for Clinical Studies, (c) refurbishing of the auditorium, and (d) acquisition, improvement, furnishing, and equipping of an out-patient clinic building in Burnsville, Minnesota.

Sinking Fund Subaccount: The Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account created under the Indenture into which the Authority shall deposit certain moneys for mandatory redemption prior to maturity of Bonds as specified in the Indenture.

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

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

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

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 IV, 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 May 1, 2001 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 are not met from proceeds of the Bonds, including investment earnings, in the Construction Account.

Loan Repayments

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

(a) on the first day of each month in equal monthly installments, commencing March 1, 1999, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest, or as principal and interest, on the Series Four-Z Bonds on the next succeeding interest payment date, provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) on or prior to a date established for the optional redemption or mandatory 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 Series Four-Z Bonds called for redemption from the Redemption Account; and

(c) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the

Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Series Four-Z Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) into the Reserve Account forthwith any amounts then required to be deposited therein by the Indenture; and

(e) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate); and

(f) into the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, on the first day of each month, commencing October 1, 2009, a sum equal to the one-twelfth of the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding October 1, at par plus accrued interest, the amount of the Series Four-Z Bonds specified in the Indenture.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications, and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be excludable from gross income for purposes of 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, such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Mortgage, or the Act, and the College shall remain fully obligated under the Loan Agreement and the Mortgage 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 Prior Bonds Project and 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 brought by the College therein or thereon, or the Bonds, the Loan Agreement, the Mortgage, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

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

Insurance

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

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of up to $50,000.

(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 not more than $50,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $100,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

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

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

Damage or Destruction

If any part of 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 with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss exceeds $1,000,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities, and site thereof shall be taken in any proceeding involving the exercise of the right of eminent domain, there shall be no abatement in the Loan Repayments, and to the extent that the Net Proceeds of the award is not greater than $1,000,000, the College will promptly repair, rebuild or restore the property with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss exceeds $1,000,000, the College shall either redeem the Bonds in whole or in part or rebuild, restore or replace such facilities, as more fully provided in the Loan Agreement.

Removal or Release of Project Equipment and Building Equipment

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

(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 of the Project Facilities and the substituted property becomes subject to the lien of the Mortgage;

(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 released equipment as determined by an independent engineer selected by the College, to the Trustee for deposit in the Redemption Account; provided that if the depreciated book value of any item of equipment so released 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 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, if 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 of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Release of Real Property

The College may release any part of the Land from the Mortgage not containing any permanent structure only upon receipt by the Trustee of a certificate of an Authorized Institution Representative stating, among other things, that no Default exists under the Loan Agreement and that the property to be released is not necessary for the operating unity and efficiency of the Project Facilities and that such release will not impair the structural integrity of the Project Facilities for their intended purposes nor inhibit ingress to or egress from the Project Facilities and provided further that the fair market value of the land and the Project Building remaining subject to the Mortgage after such release is at least 125% of the then outstanding principal amount of the Bonds as determined by an independent appraiser and obtain an opinion of bond counsel to the effect, among other things, that all conditions precedent to the Loan Agreement relating to such release have been complied with.

The College may grant to itself or others easements, licenses, rights of way, shared use agreements, party wall agreements and other rights or privileges in the nature of easements with respect to the Land, free from the lien of the Mortgage, or may release existing easements, licenses, rights of way and other rights or privileges with or without consideration; provided, however, that prior to any such grant or release, there shall have been supplied to the Trustee a Certificate of an Authorized Institution Representative and, if requested by the Trustee, of an Independent Engineer to the effect that (i) such grant or release is not detrimental to the proper operation of the Project Facilities and (ii) such grant or release will not impair the operating unity or the efficiency of the Project Facilities on such Land or materially and adversely affect the character thereof.

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.

College to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting organizations and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee corporation, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement and the Mortgage, and be either a state university or college or a nonprofit corporation and a nonprofit 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 non-hospital 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 tax-exempt bonds issued after August 5, 1997 which proceeds have been or will be applied to capital expenditures incurred after August 5, 1997), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, unless the College obtains an opinion of nationally recognized bond counsel that the tax-exempt status of the Bonds will not be affected, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets as an entirety if the effect of any such transaction would 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 within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

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

Institution To Be Nonsectarian

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

Determination of Taxability

In the event a Determination of Taxability is made that interest payable 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 affected 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, 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 shall be equal to par plus accrued interest plus additional interest from the Date of Taxability. If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the additional interest, as more fully set forth in the Loan Agreement.

Financial Covenants

The College covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the financial covenants described under the heading "Summary of Security for the Bonds" in this Official Statement. In addition, the Loan Agreement includes provisions governing the calculation of Maximum Annual Debt Service covering, among other things, variable rate indebtedness, guarantees, balloon indebtedness, put indebtedness, refunded debt and subordinated debt.

Other Covenants

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate unlawfully 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 Authority or 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 comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Office, 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 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.

Events of Default

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

(a) If the College shall fail to make any Loan Repayment when due and either (i) the available moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account, or Redemption Account on a Bond principal or interest payment date or redemption date are insufficient to pay when due principal of and interest on the Bonds, or (ii) such failure shall continue for 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) 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 shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under this 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

(e) If there shall occur an event of default (as defined therein) under the Mortgage; 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 its property, 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. The provisions of paragraph (d) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the College has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the College shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College from carrying out its agreements.

Remedies on Default

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

(a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due.

(c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture or to foreclose the Mortgage in accordance with the provisions thereof.

Any amounts collected by the Trustee pursuant to the actions set forth above shall be applied first to advances and expenses, and then to payment of interest, principal and premium, if any, on the Bonds as provided in Section 7.04 of the Indenture, 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 IV, contained herein.

Granting Clauses

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

(1) 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;

(2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account (but not the Escrow 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

(3) 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, including, but not limited to, the Mortgage.

Accounts

Bond proceeds and revenues 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).

Additional Bonds

In addition to the Series Four-Z Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the College, equally and ratably secured on a parity with the Series Four-Z Bonds to provide funds for the following purposes: (i) completion of the Project, (ii) refunding of all or any series or portion of series of then outstanding Bonds or Additional Bonds, (iii) improvements or alterations, repairs or replacement of the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants set forth in the Loan Agreement. Furthermore, to the extent required by the Authority, the College shall make additional deposits to the Reserve Fund, grant additional collateral to be held by the Trustee under the Mortgage and Indenture and execute supplements to the Loan Agreement, the Indenture and Mortgage. Additional Bonds may not be issued unless in the opinion of bond counsel the exclusion of interest on the outstanding Bonds from gross income of the holders for federal income tax purposes shall not be jeopardized.

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 or 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 rebate requirements under Section 148 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds in performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or money in the Accounts established under 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 or the Mortgage, shall occur and be continuing.

Remedies

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

In the case of an Event of Default under the Indenture, the Loan Agreement or the Mortgage, 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 and the Mortgage as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, 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 foreclose the Mortgage, 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, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, 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, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College 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 or the Mortgage 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 and for the equal benefit of the Holders of all Bonds outstanding.

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

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

Defeasance

If the Authority and the College shall:

(a) pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal, premium, if any, and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee on or 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 or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

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

(a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;

(b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority or any successor;

(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 indenture 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 create a series of and authorize Additional Bonds; and

(f) to modify the Indenture as authorized by the Bondholders pursuant to Section 11.04 of the Indenture.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture), or (d) a preference of priority of any Bond or Bonds over any other Bond, 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 to amendments to the Loan Agreement or Mortgage.

Amendments to the Loan Agreement and the Mortgage

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement or the Mortgage 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.

Registration

The Bonds shall be fully registered as to principal and interest at the 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 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 basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee subject to applicable procedures while in book entry form.

THE MORTGAGE

At or prior to the closing, the College will execute and deliver to the Authority, and the Authority will assign to the Trustee, a Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), to be dated as of January 15, 1999, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

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

The Loan Agreement provides that the College may release land and equipment from the lien of the Mortgage upon certain conditions more fully described under the captions "THE LOAN AGREEMENT — Removal or Release of Project Equipment and Building Equipment" and "THE LOAN AGREEMENT — Release of Real Property" in this Appendix.

Events of Default

The following are Events of Default under the Mortgage:

(a) If an event of default (as defined therein) under the Loan Agreement has occurred and is continuing; or

(b) If an event of default (as defined therein) under the Indenture has occurred and is continuing; or

(c) If the College violates or fails to perform any covenant under the Loan Agreement or Mortgage for a reason other than force majeure (as defined in the Loan Agreement) for a period of thirty days after written notice from the Authority or the Trustee specifying the default and requesting that it be remedied or for such further period of time as the Trustee shall permit; or

(d) If any representation of the College in the Mortgage or the Loan Agreement is incorrect in any material respect.

AUDIT REPORT

Years Ended
August 31, 1998
And
August 31, 1997

LARSON
ALLEN
WEISHAIR
& CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Northwestern College of Chiropractic
Bloomington, Minnesota

We have audited the accompanying balance sheets of Northwestern College of Chiropractic as of August 31, 1998 and 1997, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of Northwestern College of Chiropractic's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwestern College of Chiropractic as of August 31, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 1998, on our consideration of Northwestern College of Chiropractic's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Northwestern College of Chiropractic taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Larson, Allen, Weishair + Co., LLP

LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
October 21, 1998

NORTHWESTERN COLLEGE OF CHIROPRACTIC
BALANCE SHEETS
AUGUST 31, 1998 AND 1997

	1998	1997
ASSETS		
Cash - Federal Student Financial Aid Advances	$ 3,578,427	$ 102,286
Cash	261,036	299,564
Investments	9,801,486	8,000,845
Accounts and Notes Receivable, Net of Allowance for Doubtful Accounts	6,211,831	6,017,913
Prepaid Expenses	78,269	64,712
Bookstore Inventories	357,690	354,941
Bond Origination Costs, Net	85,752	97,858
Pledge Receivable	336,197	367,678
Property, Plant and Equipment, Net	8,033,696	8,334,006
Total Assets	$ 28,744,384	$ 23,639,803
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 368,285	$ 440,840
Accrued Payroll	387,697	354,892
Accrued Interest	128,135	138,469
Deposits	74,400	75,376
Federal Student Financial Aid Advances	3,578,427	102,286
Deferred Income	425,818	574,114
Capital Lease Obligations	170,054	223,506
Mortgage Payable	3,650,000	3,960,000
Federal Capital Contribution - Perkins	4,263,624	4,063,623
Total Liabilities	$ 13,046,440	$ 9,933,106
NET ASSETS		
Unrestricted:		
Undesignated	$ 2,100,000	$ 578,539
Designated	12,785,341	12,357,698
Total Unrestricted Net Assets	$ 14,885,341	$ 12,936,237
Temporarily Restricted	538,050	495,907
Permanently Restricted	274,553	274,553
Total Net Assets	$ 15,697,944	$ 13,706,697
Total Liabilities and Net Assets	$ 28,744,384	$ 23,639,803

See accompanying Notes to Financial Statements.

NORTHWESTERN COLLEGE OF CHIROPRACTIC
STATEMENTS OF ACTIVITY
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	1998			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Tuition and Fees	$ 11,173,511	$ -	$ -	$ 11,173,511
Less: Financial Aid and Scholarships	(385,470)	-	-	(385,470)
Net Tuition and Fees	$ 10,788,041	$ -	$ -	$ 10,788,041
Postdoctoral Tuition	865,906	-	-	865,906
Clinical and Northwestern Lab Fees	1,188,353	-	-	1,188,353
Auxiliary Enterprises	1,108,426	-	-	1,108,426
Lawful Gambling	2,333,926	-	-	2,333,926
Rental Income	44,284	-	-	44,284
Private Gifts and Grants	150,663	127,920	-	278,583
Government Grants	206,818	-	-	206,818
Investment Income (Loss)	(44,775)	(10,665)	-	(55,440)
Other Sources	95,786	-	-	95,786
Loss on Writedown or Sale of Assets	(35,100)	-	-	(35,100)
Net Assets Released from Restriction	75,112	(75,112)	-	-
Total Revenue	$ 16,777,440	$ 42,143	$ -	$ 16,819,583
EXPENSE				
Program:				
Instruction and Clinics	$ 5,282,342	$ -	$ -	$ 5,282,342
Research	551,793	-	-	551,793
Academic Support	946,875	-	-	946,875
Student Services	1,157,684	-	-	1,157,684
Institutional Support	2,349,347	-	-	2,349,347
Auxiliary	862,092	-	-	862,092
Total Educational and General	$ 11,150,133	$ -	$ -	$ 11,150,133
Support:				
Management and General	$ 1,404,849	$ -	$ -	$ 1,404,849
Fund Raising:				
Other Fundraising Expenses	$ 116,119	$ -	$ -	$ 116,119
Lawful Gambling Expenses	2,157,235	-	-	2,157,235
Total Fundraising	$ 2,273,354	$ -	$ -	$ 2,273,354
Total Support	$ 3,678,203	$ -	$ -	$ 3,678,203
Total Expense	$ 14,828,336	$ -	$ -	$ 14,828,336
CHANGE IN NET ASSETS	$ 1,949,104	$ 42,143	$ -	$ 1,991,247
Net Assets - August 31, 1997	12,936,237	495,907	274,553	13,706,697
NET ASSETS - AUGUST 31, 1998	$ 14,885,341	$ 538,050	$ 274,553	$ 15,697,944

See accompanying Notes to Financial Statements.

NORTHWESTERN COLLEGE OF CHIROPRACTIC
STATEMENTS OF ACTIVITY
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	1997			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Tuition and Fees	$ 10,431,231	$ -	$ -	$ 10,431,231
Less: Financial Aid and Scholarships	(441,082)	-	-	(441,082)
Net Tuition and Fees	$ 9,990,149	$ -	$ -	$ 9,990,149
Postdoctoral Tuition	714,884	-	-	714,884
Clinical and Northwestern Lab Fees	1,042,496	-	-	1,042,496
Auxiliary Enterprises	1,107,213	-	-	1,107,213
Lawful Gambling	2,347,848	-	-	2,347,848
Rental Income	43,496	-	-	43,496
Private Gifts and Grants	295,489	10,000	-	305,489
Government Grants	353,166	-	-	353,166
Investment Income (Loss)	1,041,547	10,586	4,979	1,057,112
Other Sources	91,139	-	-	91,139
Loss on Writedown or Sale of Assets	(151,016)	-	-	(151,016)
Net Assets Released from Restriction	38,283	(38,283)	-	-
Total Revenue	$ 16,914,694	$ (17,697)	$ 4,979	$ 16,901,976
EXPENSE				
Program:				
Instruction and Clinics	$ 5,127,258	$ -	$ -	$ 5,127,258
Research	613,855	-	-	613,855
Academic Support	917,106	-	-	917,106
Student Services	1,185,597	-	-	1,185,597
Institutional Support	2,256,346	-	-	2,256,346
Auxiliary	956,964	-	-	956,964
Total Educational and General	$ 11,057,126	$ -	$ -	$ 11,057,126
Support:				
Management and General	$ 1,144,378	$ -	$ -	1,144,378
Fund Raising:				
Other Fundraising Expenses	$ 106,766	$ -	$ -	$ 106,766
Lawful Gambling Expenses	2,140,993	-	-	2,140,993
Total Fundraising	$ 2,247,759	$ -	$ -	$ 2,247,759
Total Support	$ 3,392,137	$ -	$ -	$ 3,392,137
Total Expense	$ 14,449,263	$ -	$ -	$ 14,449,263
CHANGE IN NET ASSETS	$ 2,465,431	$ (17,697)	$ 4,979	$ 2,452,713
Net Assets - August 31, 1997	10,470,806	513,604	269,574	11,253,984
NET ASSETS - AUGUST 31, 1998	$ 12,936,237	$ 495,907	$ 274,553	$ 13,706,697

See accompanying Notes to Financial Statements.

NORTHWESTERN COLLEGE OF CHIROPRACTIC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,991,247	$ 2,452,713
Adjustments to Reconcile changes in Net Assets		
to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	560,595	525,123
Unrealized Losses (Gains) on Investments	569,361	(400,589)
Realized Losses on Investments	93,996	-
Loss on Sale of Property, Plant, and Equipment	35,100	121,106
Write Down of Property, Plant and Equipment	-	151,016
(Increase) Decrease in Current Assets:		
Receivables	(193,918)	(315,755)
Prepaid Expenses	(13,557)	50,375
Bookstore Inventories	(2,749)	11,212
Pledge Receivable	31,481	16,466
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(72,555)	173,291
Accrued Payroll	32,805	59,125
Accrued Interest	(10,334)	(9,501)
Deposits	(976)	1,706
Federal Capital Contribution - Perkins	200,001	130,672
Federal Student Financial Aid Advances	3,327,845	268,880
Net Cash Provided by Operating Activities	$ 6,548,341	$ 3,235,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	$ 3,475,519	$ 1,044,309
Purchases of Investments	(5,939,517)	(3,101,207)
Proceeds From Sale of Property, Plant and Equipment	63,114	2,500
Purchases of Property, Plant and Equipment	(346,393)	(856,827)
Net Cash Used by Investing Activities	$ (2,747,277)	$ (2,911,225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligations	$ (53,452)	$ (60,595)
Payments on Mortgage Payable	(310,000)	(285,000)
Net Cash Used by Financing Activities	$ (363,452)	$ (345,595)
NET INCREASE (DECREASE) IN CASH	$ 3,437,613	$ (20,980)
Cash - Beginning	401,850	422,830
CASH - ENDING	$ 3,839,463	$ 401,850
SUPPLEMENTAL INFORMATION:		
Cash Paid for Interest During the Year	$ 344,469	$ 367,735
NONCASH SUPPLEMENTAL INFORMATION		
Equipment purchased through Capitalized Leases	$ 12,865	$ 231,668

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
Northwestern College of Chiropractic (the College) is a not-for-profit organization established in Bloomington, Minnesota to educate and train Doctors of Chiropractic as primary health care practitioners. In addition, the College performs clinical chiropractic research. The College also operates chiropractic clinics in Bloomington, Burnsville, Minneapolis and St. Paul.

Basis of Presentation
The College follows the Statement of Financial Accounting Standards (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, SFAS No. 116, Accounting for Contributions Received and Contributions Made, and SFAS No. 117, Financial Statements of Not-for-Profit Organizations.

Under SFAS No. 124, investments are carried at fair market value.

Under SFAS No. 116 and No. 117, net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Fund Group	Net Asset Class
Current Unrestricted Fund	Unrestricted
Current Restricted Fund	Unrestricted and Temporarily Restricted
Loan Funds	Unrestricted
Endowment Fund	Unrestricted - Designated, Temporarily Restricted and Permanently Restricted
Renewal and Replacement Fund	Unrestricted - Designated
Retirement of Indebtedness Fund	Unrestricted - Designated
Investment in Plant Fund	Unrestricted - Designated

Unrestricted - Those resources over which the Board of Directors has discretionary control. The Board designated amounts represent those amounts which the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the College or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the College. The donors of these resources permit the College to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

The College has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash – Federal Student Financial Aid Advances
The College has received advances from the federal government for student tuition loans. Advances are held on behalf of the students. The Federal Student Financial Aid Advances is the related liability for the cash received.

Accounts and Notes Receivable
The College accounts for uncollectible accounts and notes receivable by the reserve method. Receivables are recorded at their net realizable value.

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

Property, Plant and Equipment
Property, plant and equipment purchases are stated at cost or historically based appraised values. 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. The College uses the straight-line method of depreciation over the estimated useful lives of the asset. The capital lease obligation amortization expense is immaterial and is included in the depreciation expense.

Bond Origination Costs
Origination costs related to the College's Mortgage Revenue Bond offering have been capitalized and are being amortized over the 15 year life of the bonds on the straight-line method of amortization. Amortization for the years ended August 31, 1998 and 1997, was $12,106.

Income Taxes
The College is exempt from federal income tax under Section 501(c)(3) and is not a private foundation under Section 509(a)(3) of the Internal Revenue Code. The College is also exempt from Minnesota taxes under Minnesota Statute Chapter 290.05. Tax exempt organizations are subject to Federal and Minnesota taxes on unrelated business income. No provision for taxes was recorded at August 31, 1998 and 1997, as the College did not have any taxable unrelated business income.

Deferred Revenues
The College records cash received for future services as deferred revenues. This revenue is recognized when services are provided. At August 31, 1998 and 1997, deferred revenue consists primarily of unearned tuition and tuition deposits.

Advertising Expenses
Advertising costs are expensed when incurred.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

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.

Reclassification of Financial Statement Presentation

Certain reclassifications have been made to the August 31, 1997, financial statements to conform with the August 31, 1998, financial statement presentation. Such reclassifications have no effect on the change in net assets as previously reported.

NOTE 2 INVESTMENTS

Investments are carried at market value. Stocks and bonds received by gift are recorded at market value at the date of gift. Investments at August 31, 1998 and 1997, are as follows:

	1998		
	Cost	Market Value	Percent of Total
Money Market Funds	$ 3,911,443	$ 3,911,443	40 %
Mutual Funds	1,161,922	1,300,284	13
Government Securities	2,446,436	2,491,245	25
Corporate Income Funds	147,790	159,915	2
Equity Securities	2,193,084	1,938,599	20
Total	$ 9,860,675	$ 9,801,486	100 %

	1997		
	Cost	Market Value	Percent of Total
Money Market Funds	$ 3,122,324	$ 3,122,324	39 %
Mutual Funds	1,194,563	1,353,859	17
Government Securities	1,557,435	1,585,198	20
Corporate Income Funds	153,911	164,403	2
Equity Securities	1,462,439	1,775,061	22
Total	$ 7,490,672	$ 8,000,845	100 %

NOTE 2 INVESTMENTS (CONTINUED)

Investment income for the year ended August 31, 1998 and 1997, consists of the following:

	1998	1997
Interest and Dividends	$ 607,918	$ 393,581
Realized Gains	92,894	267,203
Realized Losses	(186,892)	(4,261)
Unrealized Gain (Loss)	(569,360)	400,589
Total	$ (55,440)	$ 1,057,112

NOTE 3 RECEIVABLES

Receivables at August 31, 1998 and 1997, were as follows:

	1998	1997
Accounts Receivable:		
Student	$ 23,821	$ 42,217
Doctors	30,727	33,410
Clinic Patients	282,134	332,788
Federal Work Study Grants	19,266	12,751
Demand Note Receivable	11,550	11,697
Grants Receivable	48,595	69,511
Rentals	9,143	7,062
Miscellaneous	52,564	34,369
Less: Allowance for Doubtful Accounts	(150,000)	(170,000)
Total Accounts Receivable	$ 327,800	$ 373,805
Notes Receivable:		
Student Loans - Perkins	$ 4,717,497	$ 4,487,530
Student Loans - Canadian Students	1,456,534	1,336,578
Less: Allowance for Doubtful Accounts	(290,000)	(180,000)
Total Notes Receivable	$ 5,884,031	$ 5,644,108
Total Accounts and Notes Receivable	$ 6,211,831	$ 6,017,913

The College normally extends credit to students, doctors and patients in the State of Minnesota. Management of the College does not believe significant credit risk exists at August 31, 1998 and 1997.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

	Cost	
	1998	1997
College Land and Building	$ 4,979,091	$ 4,829,365
College Equipment and Furnishings	2,563,541	2,797,659
Clinic Land and Buildings	3,073,976	3,199,781
Clinic Equipment and Furnishings	30,361	53,192
Equipment and Books	324,175	406,452
Vehicles	6,418	6,418
Total Property, Plant and Equipment (at Cost)	$ 10,977,562	$ 11,292,867
Accumulated Depreciation	2,943,866	2,958,861
Property, Plant and Equipment (Net)	$ 8,033,696	$ 8,334,006

NOTE 5 DEBT

Debt obligations at August 31, 1998 and 1997, were as follows:

Description	1998	1997
Mortgage Revenue Bond, Minnesota Higher Education Facilities Authority (MHEFA) Secured by Land, Buildings, Fixtures and Equipment, Interest Payable Semi-Annually at Rates Ranging from 7.0% to 8.5%, Annual Principal Payments Required through October 2005.	$ 3,650,000	$ 3,960,000

The College's debt matures as follows:

Year Ending August 31,	Amount
1999	$ 335,000
2000	365,000
2001	390,000
2002	430,000
2003	470,000
Later Years	1,660,000
Total	$ 3,650,000

The provisions of the mortgage agreement for the bonds contain restrictive covenants pertaining to financial and operational requirements of the College.

NOTE 6 LEASES

As Lessee

The College leases certain computers, equipment, and a phone system under long-term lease agreements. The leases, which are accounted for as capital leases, expire at various dates. The cost of equipment recorded under capital leases is $299,542 and $286,677 at August 31, 1998 and 1997. Future minimum lease payments are as follows:

Year Ending August 31,	Amount
1999	$ 89,079
2000	80,863
2001	48,441
2002	36,186
Subtotal	$ 254,569
Less: Amount Representing Interest	84,515
Present Value of Net Minimum Payments	$ 170,054

The College leases clinic space under a long-term operating lease agreement. Future minimum rental payments required under this operating lease are $62,287 for the year ending August 31, 1999.

NOTE 7 PENSION PLAN

The College participates in a retirement plan through the Teachers Insurance and Annuity Association where the College contributes 6% of each employee's eligible salary after one year of employment. The plan covers substantially all faculty and administrative employees.

The College's share of retirement plan contributions to the plan was $275,443 and $244,933 for the years ended August 31, 1998 and 1997, respectively.

NOTE 8 SELF-INSURANCE

The College has a self-insurance plan for its employee's health insurance. The College is responsible for a maximum reimbursement of $20,000 per employee subject to a cap of approximately $235,000. Amounts in excess of the individual and overall limitations are insured. The College had $89,727 and $70,285 included in accounts payable as insurance claims related to the years ended August 31, 1998 and 1997, respectively.

NOTE 9 PLEDGES RECEIVABLE

The College has a pledge receivable for $40,000 a year until the year ending August 31, 2014. Management believes the pledge receivable is fully collectible and, therefore, no allowance for uncollectible pledges is considered necessary.

NOTE 9 PLEDGES RECEIVABLE (CONTINUED)

The pledge receivable maturity schedule as of August 31, 1998, is as follows:

Year Ending August 31,	Amount
1999	$ -
2000	40,000
2001	40,000
2002	40,000
2003	40,000
Thereafter	440,000
Subtotal	$ 600,000
Less: Discount	263,803
Total Pledges Receivable	$ 336,197

Pledges were discounted at 8%.

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

The net assets released from restrictions for the year ended August 31, 1998 and 1997, were $75,112 and $38,283, respectively, from contributions restricted by the donors to a particular purpose and from a donor restricted pledge.

NOTE 11 RESTRICTED NET ASSETS

Temporarily Restricted

Net assets temporarily restricted as of August 31, 1998 and 1997, consist of the following donor restrictions:

	1998	1997
Time Restricted - Pledge	$ 336,197	$ 367,678
Purpose Restricted:		
Scholarships	94,019	88,459
Research	107,834	39,770
Total	$ 538,050	$ 495,907

Permanently Restricted

Net assets permanently restricted as of August 31, 1998 and 1997, consist of the following restrictions:

	1998	1997
Research Chair	$ 250,000	$ 250,000
Scholarships	24,553	24,553
Total	$ 274,553	$ 274,553

NOTE 12 NET ASSETS

The Board of Trustees has designated a portion of net assets for the loan fund, endowments, retirement of debt, investment in plant, and equipment renewal and replacement. The designated net assets were $12,785,341 and $12,357,698 for the years ended August 31, 1998 and 1997, respectively.

NOTE 13 CONTINGENCY

The College is subject to a claim by a former employee. Management denies the allegations in the claim and is vigorously defending its position. As of the date of these financial statements, it is not determinable what the outcome of the claim will be or the potential liability, if any, to the College.