Listing of Mailout Material
February 16, 2022

- Forwarding Letter
- Meeting Agenda

I. Review and approve minutes of the meeting of January 19, 2022
- Minutes of January 19, 2022

II. Minneapolis College of Art and Design
- MCAD Series 2022 Application
- Application Memorandum - Fryberger
- Resolution Relating to Application - Fryberger
- Series Resolution with Financing Terms - Fryberger

III. Mitchell Hamline School of Law
- Mitchell Hamline School of Law Series 2022 Application
- Application Memorandum – McGrann Shea
- Resolution Relating to Application – McGrann Shea

IV. Audit Services Proposal
- BerganKDV FY2022-2024 Audit Fee Proposal
- Audit Fee Proposal Memo

V. Old Business

VI. New Business

VII. Other Business
- Executive Director's Report
- January 2022 Budget vs Actual

MEMORANDUM

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

380 JACKSON STREET, SUITE 450, ST. PAUL, MN 55101

Main Phone: 651.296.4690 Fax: 651.297.5751

Date: 9 February 2022

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: February 16, 2022, Authority Board Meeting Preview

We have a full agenda for our Minnesota Higher Education Facilities Authority February 16, 2022, video link, and teleconference Board meeting.

The focus of the February 2022 Board meeting will be consideration of financing applications from two borrowers, the Minneapolis College of Art and Design (MCAD) and Mitchell Hamline School of Law (MHSL). Representatives from both institutions will participate in the Board meeting.

We will provide updates on our office relocation efforts and discussions with our current lessor, and discuss ongoing projects.

We will use our video link system for this meeting. Instructions for accessing the video link are available in Board packet material included with this email.

We look forward to your participation by video conferencing or telephone for the meeting.

HIGHER EDUCATION FACILITIES AUTHORITY
Partners in progress since 1971

50TH ANNIVERSARY

Board Meeting Agenda

Wednesday, February 16, 2022

2:00 PM

Per the Authority Board Chair's determination that an in-person meeting is not practical or prudent because of the extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) pandemic, this meeting of the Authority Board will only be offered virtually.

The public should utilize the call-in information or link provided below.

Individuals may request reasonable accommodation or modifications in order to participate in Authority programs by contacting the Authority at least 48 hours in advance of the event.

I. Review and approve minutes of the meeting of January 19, 2022

II. Minneapolis College of Art and Design

- Conduct Public Hearing
- Application Memorandum by Bond Counsel – Fryberger
- Resolution Relating to Application – Fryberger
- Series Resolution w/financing terms- Fryberger

III. Mitchell Hamline School of Law

- Conduct Public Hearing
- Application Memorandum by Bond Counsel – McGrann
- Resolution Relating to Application – McGrann

IV. Audit Services Proposal

V. Old Business

- Legislative Update
- Office Space Update

VI. New Business

VII. Other Business

- Executive Director's Report

Meeting to be conducted via video conference

General Public may attend via call-in number: 1-877-978-6969 Access Code: 301-096-016#
or through this link: https://www.gomeet.com/301-096-016

MHEFA, 380 Jackson Street, Suite 450, Saint Paul, MN 55101. Telephone: 651-296-4690

The Minnesota Higher Education Facilities Authority (the "Authority" or "MHEFA") convened a regular Board meeting at 2:00 pm Central Time, Wednesday, January 19, 2022.

The Board is conducting this meeting subject to the Open Meeting Law by telephone and interactive technology as allowed by Minnesota Statutes. Members participating in the meeting can hear each other and all discussion; members of the public can hear all discussion and votes; and all votes are conducted by a roll call. The board has made provision for the public to monitor the meeting electronically from a remote location. The board has provided notice of the meeting location, the fact that some members may participate by interactive technology, and of the public's right to monitor the meeting electronically from a remote location. Authority Chair Benson determined that an in-person meeting was not practical or prudent because of the health pandemic as defined according to current guidance from the Minnesota Department of Health, the Centers for Disease Control and Prevention, and the U.S. Department of Homeland Security.

The Authority Board meeting was held in the Conference Room at the Authority office, 380 Jackson St, Suite 450, St. Paul, MN 55101. Executive Director Fick and Authority Chair Benson were physically present, although not required due to the pandemic environment. Mr. Fick and Mr. Benson met the state's requirement for COVID-19 safety through vaccination. The location and time of the meeting was duly published and posted on the Authority website and the door of the Authority office.

The public was able to monitor the meeting by calling a toll-free number.

Board members participated in the meeting using a video link. The meeting link was sent to Board members prior to the meeting. The use of a video link as an allowable way to hold the Board meeting was confirmed by the State of Minnesota's Data Practices Office staff prior to the meeting, following Minnesota Statute 13D.015.

Executive Summary – Minnesota Higher Education Facilities Authority

Meeting on January 19, 2022

Board Actions Taken:

Motions:	Result:	Vote:
Approval of Meeting Minutes of January 19, 2022	Passed	Unanimous
Affirm Staff Recommendation on new office location, authorize staff to take action to negotiate a new space lease, and contact current lessor about end of lease options	Passed	Unanimous
Close regular meeting and move to Closed Session for Operations Manager Performance Review	Passed	Unanimous

Resolutions	Result:	Vote:
Approve Second Supplemental Note Resolution for Augsburg University Series Eight-E	Passed	Unanimous
Adopt Resolution 01-2022-02 Authorizing a Performance-Based Salary Increase under Managerial Plan 2019-2021 for the Operations Manager	Passed	Unanimous

The official meeting began with a roll call to determine who was attending the meeting. The following board members or their designees were participating and attending by video link ("V") or telephone ("T"):

Board Members:
Gary Benson – In-Person and V
Mary Ives - V
Michael Ranum - V
Bonnie Anderson Rons - V
David Rowland – V
Nancy Sampair - V
Mary Yang Thao – V
Poawit Yang, Office of Higher Education, ex-officio - V
Paul Cerkvenik, Minnesota Private College Council, ex officio w/o vote - V

Absent:	Ray VinZant
Other Attendees:	Peter Cooper, Bond Counsel – V Mark LeMay – member of the public - V
Also Present:	Barry W. Fick Executive Director MHEFA – In-person and V Amanda Lee, Operations Manager, MHEFA – V

Gary Benson, Chair, called the meeting order at 2:02 pm CDT. Executive Director Fick confirmed that a quorum was present.

Agenda Item I – Minutes of the November 8, 2021, Board meeting.

The first item on the agenda is the review and consideration of the minutes of the November 8, 2021, Authority Board meeting.

A motion was made by Bonnie Anderson Rons to approve the November 8, 2021, minutes. The motion was seconded by David Rowland. Chair Benson asked if there were any questions, discussion, or changes to the minutes of the November 8, 2021 Board meeting.   There were no questions or proposed changes to the minutes from Board members.

Chair Benson called for a vote regarding the approval of the minutes. A roll call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Michael Ranum	Yes
	Bonnie Anderson Rons	Yes
	Mary Ives	Yes
	David Rowland	Yes
	Nancy Sampair	Abstain
	Mary Yang Thao	Yes
	Poawit Yang	Yes

There were no votes against the motion and the Minutes (as amended) of the November 8, 2021, MHEFA Board meetings were approved.

Agenda Item II – Augsburg University Extension of Mandatory Tender Date for Series Eight-E Revenue Note

This item was originally placed as Item 3 on the Agenda. Executive Director Fick requested to move consideration of this to Item II to efficiently deal with this matter, allow Augsburg representatives, and Bond Counsel to leave the Board meeting after their presentation and consideration of their request by the Board. The Board verbally agreed to Mr. Fick's request and the 2nd item for consideration at the January 19, 2022 MHEFA Board meeting is the Series Eight-E extension of the mandatory tender.

Augsburg University's outstanding Series Eight-E Revenue Note requires a mandatory tender on May 1, 2022. The mandatory tender requires that the bonds be put back to the Bank and the University either renegotiate the interest rate on the Note or pay off the existing note principal with University funds or refinance the Note with funds from a refinancing issue. The University has negotiated with the bank that holds the Series Eight-E Revenue Note, BMO Harris, to extend the Mandatory Tender date by 2 years to May 1, 2024. This will defer a Mandatory Tender for 2 years. The agreement with BMO Harris does not change any of the other terms of the Series Eight-E Revenue Note.

The University presented a written request to the Authority to approve the extension of the Mandatory Tender and undertake any action necessary to allow the extension to proceed. BMO Harris provided information confirming that the only change to the Series Eight-E Revenue Note as a result of the extension is the extension of time before a Mandatory Tender is necessary. BMO Harris confirmed there is no change to any other terms of the Series Eight-E Revenue Note, including no change to the interest rate, covenants or other terms and conditions.

Mr. Peter Cooper, Bond Counsel, was asked by Chair Benson to review the terms of the Resolution and to outline the review process of the Mandatory Tender. Mr. Cooper has served as Bond Counsel on the original Series Eight-E financing and on the first Supplemental Note Resolution in 2020. Mr. Cooper noted that he has reviewed the documentation related to the extension request and prepared a Second Supplemental Note Resolution for the Board to consider and act on. The extension of the Mandatory Tender date will be considered a reissuance of the Series Eight-E

Revenue Note. Bond Counsel has determined that there are no adverse tax consequences as a result of the extension and the reissuance remains a tax-exempt Note.

At the conclusion of Mr. Cooper's presentation, Chair Benson asked if there were any questions for Mr. Cooper. There were no questions.

A motion was made by Michael Ranum to approve the Second Supplemental Note Resolution for the extension of the Mandatory Tender Date of the Series Eight-E Revenue Note. The Resolution was seconded by Nancy Sampair.

Chair Benson called for a Roll Call vote regarding the approval and acceptance of the Second Supplemental Resolution for Augsburg University. A Roll Call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Michael Ranum	Yes
	David Rowland	Yes
	Bonnie Anderson Rons	Yes
	Mary Ives	Yes
	Mary Yang Thao	Yes
	Nancy Sampair	Yes
	Poawit Yang	Yes

There were no votes against the motion and the Second Supplemental Resolution for Augsburg University was approved.

The Board returned to the regular Agenda order and moved to consider the status of the MHEFA office relocation process.

Agenda Item III – Recommendation on Office Relocation at end of Current Lease

Chair Benson asked Authority Executive Director Barry Fick to present the staff recommendation regarding relocation of the Authority office on or before the end of the current lease. Mr. Fick noted that the Authority is required to vacate their current office, where they have been since 1987, due to the building being sold and the new owner plans to convert the building to residential housing.

Mr. Fick reviewed the memorandum distributed to the Board that outlined the search process. Over 30 properties were located and reviewed. Staff narrowed down the initial list of candidates to 12 and visited them, some multiple times. Based on the discussions with lessors and our leasing consultant, 2 finalists were identified. After comparing the 2 finalists, the staff unanimously agreed to recommend to the Board that the Authority relocate to Grand Oak Business Park, 860 Blue Gentian Road, Eagan, MN. Prior to the Board meeting on January 19, 2022, the 2 finalists were discussed with a number of Board members to gain the benefit of their experience and to solicit additional input on the options and critique the staff recommendation.

Mr. Benson asked if there were any questions for Mr. Fick. Board members asked a number of questions about office size, amenities, room for expansion, Boardroom facilities, along with various questions about how the other sites compare to the recommended site. Mr. Fick and Operations Manager Amanda Lee provided responses to the Board member questions.

Board members expressed appreciation for the thorough job of identifying, comparing and analyzing the options for relocation.

At the conclusion of his discussion about the office relocation recommendation, Mr. Benson asked if there were any additional questions from Board members. There were no additional questions from the Board.

Mr. Peter Cooper excused himself from the meeting at 2:52 pm.

A motion was made by Mary Ives to approve and accept the staff recommendation to move Authority offices to Grand Oak Business Park, Eagan, MN; enter into negotiations for Lease at Grand Oak Business Park; and work with the current lessor to terminate the current lease prior to its expiration. The motion was seconded by Bonnie Anderson Rons. Chair Benson asked if there were any questions, discussion, or changes regarding the Resolution. There were no other questions for Authority staff regarding the recommendation and proposed actions.

Chair Benson called for a Roll Call vote regarding the approval and acceptance of the staff recommendations related to the office relocation. A Roll Call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Michael Ranum	Yes
	David Rowland	Yes
	Bonnie Anderson Rons	Yes
	Mary Ives	Yes
	Mary Yang Thao	Yes
	Nancy Sampair	Yes
	Poawit Yang	Yes

There were no votes against the motion and the motion to approve and accept the Staff Recommendation related to the Authority's new office location, commencing negotiations for a lease at the recommended location and begin discussions to leave the current office location was approved.

Bonnie Anderson Rons excused herself from the meeting at 3:04 pm.

Agenda Item IIV – Legislative Update

Chair Benson called on Executive Director Barry Fick to provide the Board with an update on the status of the expansion legislation sponsored by the Authority.

Mr. Fick reported that staff have been working with McGrann Shea over the past months and met with many legislators to provide them information about the expansion proposal. We are changing the lead sponsor in the House to a member of the majority party and keeping the prior sponsor as a co-sponsor. We will be preparing a new Fiscal Note for legislators. The Fiscal Note will show that there is no revenue effect on any State of Minnesota function as a result of our proposed legislation. We are soliciting letters of support from schools and medical entities which will be provided to legislators upon request. We continue to coordinate with McGrann Shea on working with the 2022 legislature. A continuing challenge is that the legislature is not fully back to meeting in person, which results in more challenging communications with legislators and staff.

Chair Benson asked if there were questions for Mr. Fick. There were no comments or questions.

Agenda Item V – Old Business

Chair Benson asked if there were any Old Business items from Board members for discussion. Operations Manager Lee noted there was one old business item she wished to remind Board members about. She reminded Board members of the need to file Disclosure Forms with the State Campaign Board prior to January 31, 2022. There were no Old Business items from Board members for discussion.

Agenda Item VI – New Business

Chair Benson asked if there were any New Business items from Board members for discussion. Chair Benson also noted the need for filing disclosure. He also noted that the Covid Omicron variant is causing issues and we will continue to monitor that for impacts to borrower schools. Chair Benson encouraged the other Board Members to review the Omicron presentation included in the board packet that was originally presented by the State of MN for Board Chairs and agency contacts. There were no other New Business items from Board members for discussion.

Agenda Item VII – Other Business

Chair Benson called upon Executive Director Fick to discuss Other Business. Mr. Fick presented his Executive Director's report. It included the following items regarding staff and Authority activity and events and personnel changes at the schools.

Borrower Assistance and Financing Application Update

- We are working with MCAD on a private bank placement, expected to be before the Authority Board in February 2022
- We are working with William Mitchell on a private bank placement as part of an upcoming Mandatory Tender of an outstanding Note.
- We are working with multiple schools on Moody's rating updates, including
    - Concordia College
    - College of St. Benedict
    - Macalester College
    - Augsburg University

- We are working with St. Thomas to help determine their future capital needs and timing of funding for projects and have conducted a RFQ and RFP for underwriter. It is possible a financing will occur in Spring 2022
- We continue to support schools in their compliance with Continuing Disclosure obligations

Borrower Staffing Update

- Macalester College has selected interim CFO Patricia Langer as permanent CFO
- Macalester College has promoted Dave Berglund to Assoc. VP of Finance
- Hamline University is continuing with their CFO search
- Mitchell Hamline School of Law has selected Tressa Ries, CPA, as the next VP of Finance and Administration, CFO. She starts January 17 at Mitchell Hamline.

Board Vacancy Update

We have received applications for the available Board position. We have identified a candidate who has agreed to serve if selected by the Governor. We plan to convene the Board membership Selection Committee in February to review the applicants and recommend a candidate to the Governor for the open public member position.

Nancy Sampair's term as a Board member concludes this year. She has applied to continue as a Board member.

Various Items of Interest

We continue planning for an in-person MHEFA Finance Conference on April 20, 2022. The location is yet to be determined. We have confirmed that representatives from Moody's will present at the conference. Other speakers are pending.

A number of articles of interest related to interest rate projections for 2022 was included with the Board packet for Board members to read. There were no questions from Board members about the articles.

Chair Benson asked if there was any Other Business to come before the Board. There was no Other Business for the Board to consider, and Chair Benson asked for a motion to Adjourn the regular Board Meeting and move to Closed Session to discuss the performance review of the Operations

Manager for FY2021. The motion to adjourn and move to closed session was made by Michael Ranum and seconded by Nancy Sampair.

Chair Benson called for a Roll Call vote regarding the adjournment of the regular meeting and move to closed session. A Roll Call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Michael Ranum	Yes
	David Rowland	Yes
	Bonnie Anderson Rons	Yes
	Mary Ives	Yes
	Mary Yang Thao	Yes
	Nancy Sampair	Yes
	Poawit Yang	Yes

The Board voted unanimously to adjourn the regular Board Meeting at 3:25 pm, Central Time.

During the closed session, Operations Manager Amanda Lee was excused from the meeting while the Board considered her FY2021 Performance Revied.

The Board returned from Closed Session and Mr. Benson asked for Board action on the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2019-2021 for Operations Manager Amanda G. Lee.

A motion was made by Michael Ranum to approve and accept the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2019-2021. The motion was seconded by Nancy Sampair. Chair Benson asked if there were any questions, discussion, or changes regarding the Resolution. Board members noted in discussing the Resolution that they continue to be very appreciative of and pleased with the Operations Manager's job performance. There were no other questions related to the Amended and Restated Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2019-2021.

Chair Benson called for a Roll Call vote regarding the approval and acceptance of the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2019-2021. A Roll Call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Mary Ives	Yes
	Mary Yang Thao	Yes
	Michael Ranum	Yes
	Nancy Sampair	Yes
	Poawit Yang	Yes

There were no votes against the motion and the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2019-2021 was approved.

The Board Chair Closed the Executive Session and invited Operations Manager Amanda Lee to rejoin the meeting. The Board Chair asked if there were any additional items for discussion from Board members. Board members thanked Operations Manager Lee for her work over the past year.

There were no other items from the Board and the Board then acted by voice vote to adjourn the meeting at 3:45 pm, Central Standard Time.

Respectfully submitted,

____
Assistant Secretary

Application for Financing

Higher Education

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Borrower Information

Name of Borrower: Minneapolis College of Art and Design

Date: 1/21/2022

Borrower Primary Contact Information:

Name Chuck Smith

Title CFO/VP Finance

Email chucksmith@mcad.edu

Phone 612-874-3700

Purpose of Financing (Select all that apply)

- [x] Building acquisition, construction or renovation, site or equipment acquisition
- [ ] Refinancing of one or more Authority bond issues
- [ ] Refinancing of one or more indebtedness not issued by the Authority

Each of the following should be treated as a separate element and described separately, starting with "Project A." If not located on the main campus, please include the street address.

- each new building or complex of buildings (square footage, beds or floors)
- renovations associated with a particular building or site
- equipment that is not related to either the proposed new buildings or existing buildings that are to be renovated
- each Authority bond issue to be refinanced, specifying the series name
- each other indebtedness that is to be refinanced, specifying the date incurred, the lender and the capital project that was financed

Project A: Acquisition of residential property adjacent to campus located at 2450 Stevens Ave S, Minneapolis, MN 55404.

Project B: Acquisition of commercial property adjacent to campus located at 2601 Stevens Ave S, Minneapolis, MN 55408.

Project C:

Project D:

Estimated Cost Summary

	Project A	Project B	Project C	Project D	Total
Construction cost					$ 0
Architectural, engineering and consultant costs	$ 15,273	$ 26,936			$ 42,209
Furnishings and equipment					$ 0
Site acquisition	$ 537,908	$ 919,883			$ 1,457,791
Principal amount of debt to be refinanced					$ 0
Other (excluding issuance costs and reserves)					$ 0
Total	$ 553,181	$ 946,819	$ 0	$ 0	$ 1,500,000

Estimated Financing Summary

	Project A	Project B	Project C	Project D	Total
Amount of funds from other sources					$ 0
Amount of project cost (excluding issuance costs and reserves) to be financed with Authority bonds	$ 553,181	$ 946,819			$ 1,500,000
Principal amount of debt to be refinanced					$ 0
Total	$ 553,181	$ 946,819	$ 0	$ 0	$ 1,500,000

Please give the approximate dates of any of the following steps that have already been taken:

	Project A	Project B	Project C	Project D
Construction has started				
Construction contract has been awarded				
Purchase contract for materials or equipment has been awarded	10/22/2021	12/16/2021		

Is any part of the facilities, now or in the future, to be managed or otherwise used by any person other than the borrower?

- [ ] Yes
- [x] No

If you checked "YES," please describe briefly the location and extent of the use and whether the user is an exempt organization under Section 501(c)(3) of the Internal Revenue Code:

Will any of the following actions violate any provisions of the articles of incorporation, the bylaws or constitution of the borrower or of any affiliated organization, any existing mortgage, deed, contract or other agreement, or any state, local or federal law, rule, regulation or ordinance?

Entering into a loan agreement with the Authority for the repayment of bond proceeds?

- [ ] Yes
- [x] No

Completing the proposed project or prepaying the Authority bonds or other debt that will be refinanced?

- [ ] Yes
- [x] No

Entering into a mortgage or security agreement to secure repayment to the Authority?

- [ ] Yes
- [x] No

Proposed Timing Summary

	Project A	Project B	Project C	Project D
Start date				
Completion date	10/22/2021	12/16/2021		
Acquisition date if the project is only for equipment				
Optional redemption date for refinancings				

How will this bond issue be sold?

- [ ] Competitive public sale
- [ ] Negotiated public offering
- [x] Private placement
- [ ] Undecided

When do you wish to close on the bond issue?

- [ ] As soon as practical
- [x] No later than: March 31, 2022
- [ ] Not sooner than:

What is the expected source of funds to repay the loan of bond proceeds? (check all that apply)

- [x] Operating funds
- [ ] Additional revenue from the project
- [ ] Gifts from private donors
- [ ] Grants from governmental sources
- [ ] Other

If repayment is not expected to be entirely from operating funds, state the approximate amount from the other sources and whether such funds are temporarily or permanently restricted in any way as to use:

Is credit or liquidity enhancement expected? (check all that may apply)

- [ ] Bond insurance
- [ ] Letter of credit
- [ ] Standby bond purchase agreement for tendered bonds
- [ ] Guaranty

What is the status of any application for the foregoing?

What are the preferred scheduled payment dates?

Month and earliest year for annual principal payments: Match current bond payment cycle, see estimated wrap

Earliest month and earliest year for interest payments: Match current bond payment cycle, see estimated wrap

Are revenues available to pay interest during the construction period?

☐ Yes ☐ No, interest should be capitalized for _____ months ☑ Not Applicable

The following two questions apply to all refinancings. Please select "Not Applicable" if this does not apply.

☑ Not Applicable

1. Has the original project been completed substantially in accordance with the plans and specifications?

☐ Yes ☐ No

2. Has there been a default by the institution or by any other party, in the performance of the covenants and conditions relating to the Authority bonds or other debt to be refinanced?

☐ Yes ☐ No

The following four questions apply to refinancing debt that is not Authority issued bonds. Please select "Not Applicable" if this does not apply.

☑ Not Applicable

1. Will the proposed refinancing enhance and preserve the borrower and the facilities being refinanced or utilization thereof for educational purposes?

☐ Yes

☐ No, because:

2. Will the proposed refinancing extend or adjust maturities to correspond to the resources available for their payment?

☐ Yes

☐ No, because:

3. Will the proposed refinancing reduce the tuition charges or fees imposed on students for the use of such facilities or costs met by state or federal funds?

☐ Yes

☐ No, because:

4. Will the proposed refinancing enhance or preserve educational programs and research or other facilities eligible to be a project or part thereof?

☐ Yes

☐ No, because:

The table below applies to refinancing debt that is <u>not</u> Authority issued bonds. Please check "Not Applicable "if this does not apply.

☑ Not Applicable

Statutory Maximum to Refinance Debt Other Than Authority Bonds

	Project A	Project B	Project C	Project D
(a) Original project costs				
(b) Principal amount of any debt (other than Authority bonds) to be refinanced				
(b) Accrued but unpaid interest on debt (other than Authority bonds) to be refinanced				
(b) Prepayment premium (or discount) on debt (other than Authority bonds) to be refinanced				
(c) Appraised value of project				
(c) Depreciated equipment				
Maximum allowable: the lesser of (a) original cost, (b) principal, interest and premium and (c) present value				

Check below if any of the projects are located in or involve any of the following:

☐ Riparian frontage

☐ Shoreland area

☐ Delineated flood plain

☐ State or Federally designated wild and scenic rivers district

☐ Minnesota River Project Riverbend area

☐ Mississippi River headwaters area

If there are any potential environmental issues, please summarize the major environmental issues:

Governmental Approval Summary

	Project A	Project B	Project C	Project D
Zoning variance or change	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending
Building permit	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending
Other governmental approval	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending
Environmental Assessment Worksheet	☑ not applicable ☐ received ☐ pending	☐ not applicable ☑ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending
Environmental Impact Statement	☑ not applicable ☐ received ☐ pending	☐ not applicable ☑ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending

If one or more governmental approvals are pending, please describe the status of the application process and whether approval is expected before the bond closing:

Project B had both a Phase 1 Environmental Assessment and Phase 2 Environmental Investigation reports conducted. The MPCA issued a No Association Determination to MCAD on 12/6/21.

Borrower Contact Information:

Legal name of corporate borrower and street address:

Minneapolis College of Art and Design
2501 Stevens Ave, Minneapolis, MN 55404

President of College or University:

Sanjit Sethi

Chief Financial Officer (please give name, title, preferred mailing address, telephone, fax and email address):

Chuck Smith, CFO/Vice President of Finance & Treasurer to the Board
2501 Stevens Ave, Minneapolis, MN 55404

Additional staff assisting with the project (please give name, title, preferred mailing address, telephone, fax and email address):

Mary Yang Thao, Associate Vice President of Finance
2501 Stevens Ave, Minneapolis, MN 55404

Attorney (please give name of firm and the responsible individual as well as preferred mailing address, telephone, fax and email address)

Tyler J. Adams
Vantage Law Group

Independent Auditor (please give name of firm and the responsible individual as well as preferred mailing address, telephone, fax and email address)

Baker Tilly US, LLP
Ryan Engelstad, Partner

Description of Accreditation and Degrees:

If the principal institutional accreditation is not North Central Association of Colleges and Secondary Schools, please state the principal accreditor:

1) Higher Learning Commission, and 2) National Association of Schools of Art and Design

Degrees conferred are:

- [ ] Associate of Arts
- [ ] Associate of Applied Science
- [ ] Associate of Science
- [ ] Bachelor of Arts
- [x] Bachelor of Fine Arts
- [ ] Bachelor of Music
- [ ] Bachelor of Music Education
- [x] Bachelor of Science
- [x] Master of Arts
- [ ] Master of Business Administration
- [ ] Master of Education
- [x] Master of Fine Arts
- [ ] Master of Science
- [ ] Master of Social Work
- [ ] Master of Physical Therapy
- [ ] Doctor of Chiropractic Medicine
- [ ] Doctor of Education
- [ ] Doctor of Philosophy
- [ ] Doctor of Public Administration
- [ ] Doctor of Psychology
- [ ] Juris Doctor
- [ ] Others:

Religious Affiliations

1. Does the institution receive support from any church body?

☐ Yes ☑ No

2. Does a church body or religious order control the election of any trustees or officers?

☐ Yes ☑ No

3. Is the consent of any religious order or any other corporation necessary before the instution may sell or motgage its property or borrow money?

☐ Yes ☑ No

4. Are there any religious qualifications for faculty appointments?

☐ Yes ☑ No

5. If the institution teaches courses in religion or theology, does the institution confer a theology degree or otherwise prepare students for a religious vocation?

☐ Yes ☑ No

6. If the institution teaches courses in religion or theology, does the institution teach the distinctive doctrines, creeds or tenets of any particular religious sect?

☐ Yes ☑ No

7. Are the students required to attend chapel or other religious service?

☐ Yes ☑ No

Please explain if you have answered "YES" to any of the foregoing seven questions:

Teaching and Admission Standards

1. Does the institution and its faculty subscribe to the Statement of Principles of Academic Freedom promulgated by the American Association of University Professors and the Association of American Colleges?

☑ Yes ☐ No

2. Are all courses of study, including any religion and theology courses, at the institution taught according to the academic requirements of the subject matter and the individual instructor's concept of professional standards?

☑ Yes ☐ No

3. Does the institution admit students without regard to race, color, religion or national origin?

☑ Yes ☐ No

Please explain if you have answered "No" to any of the foregoing three questions:

No Discriminatory Practices

1. Does the institution unlawfully discriminate in any manner in the full utilization or benefit of the institution or its services because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

2. Does the institution expel, limit or otherwise unlawfully discriminate against enrolled students because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

3. Does the institution unlawfully discriminate in hiring, promotion, salary, and assignments or in any other matter in its employment practices, because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

Please explain if you have answered "Yes" to any of the foregoing three questions:

LIST OF EXHIBITS

(please number consecutively)

For traditional undergraduate and graduate programs and any nontraditional programs that provide substantial revenue: (A) Enrollment information (head count and full-time equivalent) submitted to the Office of Higher Education for the five-year period immediately preceding this application, (B) Projected head count and full-time equivalent enrollment for the five-year period following this application and (C) Applications, acceptances and matriculations for first year students during the past five fall terms.

- [x] attached as Exhibit A
- [ ] not attached because project is for equipment only under lease program

Most recent published tuition, room and board fee schedule, and any supplemental charges.

- [x] attached as Exhibit B
- [ ] not attached because project is for equipment only under lease program

List of all outstanding indebtedness (excluding debt that will be refinanced with new Authority bonds), including interest rates, amounts, repayment schedule and description of the mortgage or other collateral securing payment.

- [x] attached as Exhibit C
- [ ] not attached because project is for equipment only under lease program

Description of any debt limitation, covenant or restriction to which the institution is subject, with a statement by the Chief Financial Officer and supporting calculations as to compliance with such debt limitation, covenant or restriction.

- [x] attached as Exhibit D
- [ ] not attached because project is for equipment only under lease program

Audited financial statements for each of the past five fiscal years. May be provided by reference to your website (please state specific website address below), sent electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit E
- [ ] Website address:

Current operating budget.

- [x] attached as Exhibit F

Current college catalog for undergraduate and graduate programs. May be provided by reference to your website (please state specific website address below), sent electronically, or on a labeled CD (mailed or delivered).

- [ ] attached as Exhibit G
- [ ] Website address:

Current faculty handbook. Please provide the website address, send electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit H
- [ ] Website address:

List of current board members and officers.

- [x] attached as Exhibit I

Copy of the current articles of incorporation. If the institution was incorporated under a special act, a copy of the special act with all amendments should be provided. Please include any amendments that are expected to be proposed for approval.

- [x] attached as Exhibit J

Copy of the current bylaws of the corporation. Please include any amendments that are expected to be proposed for approval. Please include any other similar corporate guidelines such as a "constitution".

- [x] attached as Exhibit K

Copy of the articles of incorporation and bylaws of any affiliated religious or other organization that must approve any action by the institution to sell or mortgage its property or to borrow money.

- [ ] attached as Exhibit __
- [x] not applicable

Copy of the most recent ruling or letter from the Internal Revenue Service confirming that the institution is an organization described in Section 501(c)(3) of the Internal Revenue Code.

- [x] attached as Exhibit L

Copy of the most recent letter from the Office of Higher Education confirming registration under Minnesota Statutes, Section 136A.61 to 136A.71.

- [x] attached as Exhibit M

Description of any pending litigation that is uninsured and would have a material adverse financial impact if resolved against the institution. In addition, please describe any charge filed against the institution by a state or federal agency or any individual or group alleging unlawful discrimination by the institution.

- [ ] attached as Exhibit __
- [x] no pending litigation

Either (A) a copy of a survey of the site (as built, if this is a refinancing) of the project, including the related legal description or (B) a plat map or other depiction of the project site that clearly shows the location of existing and proposed buildings and the relationship to a legal description. If a mortgage is necessary for this financing, a survey will be required and it must show any right-of-way necessary for access by the mortgagee or new owner to a public street or highway and all easements and other legal encumbrances.

- [x] attached as Exhibit N
- [ ] arrangements for a survey or plat map will be made before bonds are offered for sale
- [ ] not attached because project is for equipment only under lease program

Either (A) a commitment to issue a title insurance policy in an owner's or mortgagee's form or (b) a preliminary opinion of title based upon an examination of real estate records covering the project site and certified to within approximately 30 days of the date of the opinion. All exceptions, liens and encumbrances should be noted on the commitment or opinion. The evidence should indicate that title or suitable ownership interest is held by the institution or a seller of any real estate to be acquired with this financing.

☑ attached as Exhibit O

☐ arrangements for evidence of ownership will be made before bonds are offered for sale.

☐ not attached because project is for equipment only under lease program

Copy of the resolution of the governing board (or the executive committee) of the institution in a form similar to Attachment A declaring official intent to reimburse itself from bond proceeds and authorizing submission of the Application.

☑ attached (showing the effective date) as Exhibit P

☐ not attached but will be adopted on ______________________________ (must be before public hearing)

☐ not applicable because this application is solely for refunding Authority bonds.

Copy of the resolution of the governing board (or the executive committee) of the institution in a form similar to Attachment B authorizing submission of this Application.

☐ attached (showing the effective date) as Exhibit __

☑ not applicable because a resolution similar to Attachment A is submitted

Certification by the architect in a form similar to Attachment C that the estimated costs of the items comprising the total structure costs are considered to be realistic and have been made according to accepted architectural practices for developing preliminary estimates.

☐ attached as Exhibit __

☑ not applicable because no construction or significant renovation is proposed

The following exhibits apply only to refinancing of debt that is <u>not</u> Authority bonds. Please select "Not Applicable" if this does not apply.

☑ Not Applicable

Copy of all loan agreements, promissory notes, financing agreements, indentures, mortgages or other documents relating to the debt (that is not Authority bonds) to be refinanced, together with all amendments or modifications. May be provided on a labeled CD.

☐ attached as Exhibit __

Copy of all leases, management agreements, use agreements or other documents relating to the capital project originally financed by the debt (that is not Authority bonds) to be refinanced, together with all amendments or modifications. May be sent electronically or provided on a labeled CD (mailed or delivered).

☐ attached as Exhibit __

Copy of current appraisal of capital project originally financed by the debt (that is not Authority bonds) to be refinanced prepared by an appraiser with the MAI designation or the equivalent.

☐ attached as Exhibit __

Signature and Certifications

The undersigned officers of the borrower hereby certify that the Application, including the enclosed exhibits are complete and correct. We have reviewed and hereby accept the terms of the Indemnity Agreement as set forth in Attachment D.

(Chief Executive Officer)

Signature: Digitally signed by Sanjit Sethi Date: 2022.01.21 16:31:13 -06'00'

Title: President

And

(Chief Financial Officer)

Signature: Charles Smith Digitally signed by Charles Smith Date: 2022.01.21 17:41:19 -05'00'

Title: CFO/Vice President of Finance and Treasurer to the Board

Date of this Application: 1/21/22

Delivery Instructions

The following two items must be received by the Authority in order to proceed with the financing:

- [x] Signed Application, together with exhibits, for the Authority
  - Email to bwf@mnhefa.org (cc: agl@mnhefa.org)
  - Signed Application, together with exhibits, will be forwarded by the Authority to Bond Counsel and the Financial Advisor
- [x] $1,000 Application Fee
  - Checks should be made payable to: Minnesota Higher Education Facilities Authority
  - Mail or Deliver check to:

    Minnesota Higher Education Facilities Authority

    380 Jackson Street, Suite 450

    Saint Paul, MN 55101

    651-296-4690
  - Electronic payment is also available. Please contact the Authority for banking information if preferred.

INDEMNITY AGREEMENT

Terms and conditions relating to any application by a nonprofit corporation, as operator of an institution of higher education (the "College") in the State of Minnesota for financing through the Minnesota Higher Education Facilities Authority (hereinafter called the "Authority"), an agency of the State of Minnesota.

1. For purposes of the Indemnity Agreement, the following terms are assigned the meaning set forth below:

"Act" means Minnesota Statutes, Section 136A.25 to 136A.42, as amended.

"*Authority, its agents and representatives*" includes any member or officer of the Authority, any employee of the State of Minnesota assigned to work with or for the Authority on a full time or part time basis, the Authority's financial advisor, the Authority's bond counsel, and, if approved by the College, any other consultant employed by the Authority in connection with the project.

"*Bonds*" includes bonds, notes and lease obligations.

"*Bond counsel*" means any law firm appointed by the Minnesota Attorney General's Office to act as bond counsel for the Authority.

"*Financial advisor*" means any firm appointed by the Authority to provide financial advisory services with respect to bonds of the Authority.

2. The College has submitted an application to the Authority for financing assistance under the Act, together with exhibits thereto (collectively, the "Application"). Such Application is true and complete in all respects, and if any change or event shall occur to make the Application untrue, incomplete or misleading, or if the College shall discover that the Application is untrue, incomplete or misleading, the College will notify the Authority promptly in writing.

3. The College will indemnify and hold the Authority, its agents and representatives harmless from any loss, liability or expense which they or any of them may incur or suffer as a result of (a) any untrue, incomplete or misleading statement or information provided or approved by the College and contained in the Application or subsequently furnished to the Authority, its agents or representatives or (b) any statement or information relating to the College, the College's project or operations of the College contained in any Official Statement or other public or private offering document approved by the College in connection with the issuance or sale of bonds for the College, if such statement or information is untrue or incorrect in any material respect or if there is an omission of any statement or information which should be contained therein or which is necessary to make the statements therein relating to the College, the College's project or the College's operations not misleading in any material respect.

4. Any written item furnished by an officer, director, trustee or employee of the College or by an architect, engineer, attorney or other consultant designated by the College in the Application or otherwise as being consultant to the College in respect of the project, shall be deemed to have been furnished by the College. Any item prepared by the Authority, its agents and representatives shall be deemed to have been approved by the College, if approved orally or in writing, (i) by an officer of the College or of its governing board or (ii) by a person designated as an authorized representative of the College by an officer of the College or of its governing board.

5. The College reserves the right to withdraw its Application any time before the Application is approved by the Authority, which approval shall be evidenced by a resolution of the members of the Authority at a regular or special meeting of the Authority. However, the Application fee, where required, is non-refundable whether or not the Application has been withdrawn and whether or not any bonds are issued for the College as proposed in the Application. However, any application fee will be credited against the first annual administrative fee.

6. The College understands that bond counsel and the financial advisor will use their best efforts in completing the financing pursuant to the Act. Without limiting the generality of the foregoing:

(a) The financial advisor is authorized (i) to investigate the feasibility of the project and the financing thereof, (ii) to make recommendations with respect thereto to the Authority and the bond counsel, (iii) to prepare, in consultation with the College and the bond counsel, an Official Statement describing the bonds, the project and the College and (iv) to present information respecting the College, the project and the bonds to any other person having a legitimate present or prospective interest in the project or bonds, including any investment banker, federal agency, bond rating agency, credit enhancement provider, or financial or other information media.

(b) The bond counsel is authorized (i) to investigate all legal questions respecting the College and the acquisition and financing of the project, (ii) to examine the corporate documents respecting the organization of the College, abstracts of title, construction contracts, leases and other agreements relating to the College or project, (iii) to render opinions on any such matters to the Authority, the financial advisor, the College or any other person having a legitimate present or prospective interest in the project or bonds, and (iv) to prepare forms of (A) Agreement between the Authority and the College, (B) Trust Indenture by the Authority to a trustee for the bondholders, (C) other related documents, (D) Resolutions to be adopted by the Authority and the College relating to the foregoing, and (E) any amendment or supplement to any of the foregoing deemed necessary or desirable by bond counsel.

(c) The Authority intends (i) to review all such recommendations, opinions and documents relating to the financing, (ii) to review all such additional documents as may be furnished by the College, and (iii) to present information respecting the College, the project and the bonds to any person having a legitimate present or prospective interest in the project or bonds.

7. The College agrees to pay the reasonable fees and expenses of the bond counsel and financial advisor and, if approved by the College, of any consultant employed by the Authority for services rendered after submission of the Application and any out-of-pocket expenses incurred by them on account of the project. The College further agrees to pay any out-of-pocket expenses incurred by the Authority on account of the project. The agreements on the part of the College contained in this paragraph 7 shall be enforceable by the Authority and by the financial advisor, bond counsel and (if approved by the College) other consultant employed by the Authority, whether or not the Application is approved or the project completed or bonds issued by the Authority and, without regard to cause.

8. The College agrees (i) to furnish as promptly as possible all information requested by the Authority, its agents and representatives, (ii) to make available to the Authority, its agents and representatives, all books and records, contracts, documents and reports of the College pertaining to the project and the organization and financial condition of the College, and (iii) to review all documents prepared by the Authority, its agents and representatives, as contemplated by paragraph 7, and communicate approval or request changes as the College may deem necessary or appropriate in its own best interests.

9. The Authority may terminate progress towards issuing bonds at any time and for any reason including: (a) failure by the College to perform the actions specified in paragraph 8, (b) the Application or other materials furnished by the College contains statements or omissions which are materially false or misleading, (c) either the College's project or issuing bonds for the College's project is not economically feasible, (d) the College is not an eligible institution under the Act or (e) the project is not an eligible project under the Act. Before the Authority terminates a financing under this paragraph 9, it shall notify the College at least 10 days in advance of the date of the Authority's regular or special meeting at which termination will be considered and to provide a reason for the termination. The College shall have the right to appear at such meeting and object in person or by writing to the proposed action of the Authority. The College agrees that the action of the Authority shall be final and binding upon the College.

10. The College has the right to terminate, for any reason and without cause, the financing at any time before bonds are sold by the Authority. Copies of such notice shall be sent to the Authority, its bond counsel, financial advisor and any other consultant employed by the Authority for the financing. Thereafter, the Authority's bond counsel, financial advisor and any other consultants shall not render further services, and neither they nor the Authority shall incur further expenses for the account of the College relative to the financing, except such minor services and expenses as may reasonably be required to wind up and protect the work done to the date of receipt of notice.

MEMORANDUM

TO: Barry W. Fick
Minnesota Higher Education Facilities Authority

FROM: Fryberger, Buchanan, Smith & Frederick, P.A.

DATE: February 7, 2022

RE: Application of the Minneapolis College of Art and Design for MHEFA Financing

---

We have reviewed the Application of the Minneapolis College of Art and Design (the "College") dated January 21, 2022, and have found it to be complete and satisfactory from a legal standpoint, subject to the following:

1. Purpose. The Application relates to the financing of the acquisition and related expenses of properties located at 2450 Stevens Ave. S., Minneapolis, Minnesota, to be used to support administrative functions of the College and at 2601 Stevens Ave. S., Minneapolis, Minnesota, to be used to store equipment and supplies and serve as a maintenance shop for the College (the "Project"), which will be incorporated into the College's main campus, the principal street address of which is 2501 Stevens Ave. S., Minneapolis, Minnesota (the "Project").

2. Incomplete Items. The following items required by the Application are missing or incomplete:

(i) Evidence of Title. Title commitments for the two properties within the Project were provided with the Application. The College should provide copies of the deeds for the two properties and copies of the closing statements showing the date the purchase prices were paid.

(ii) Financial Covenants. In Exhibit D to the Application, the College provides a calculation for compliance with the cash and cash equivalent test and the additional Funded Debt test set forth in the loan agreements for the Authority's Series Seven-N Bonds, Series Eight-D Bonds and the 2018 Revenue Note. We will need to verify that the proposed loan satisfies the additional debt test once the structure of the loan is finalized.

3. $150 Million Limit on Tax-Exempt Non-Hospital Bonds Under Section 145(b) of the Internal Revenue Code. It should be noted that the College states in the Application that it is not affiliated with any church body or religious order, that neither a church body nor religious order controls the election of trustees or officers of the College and that it does not receive any support from any church body. This fact is significant due to the limitation, set forth in Internal Revenue Code Section 145(b), of the aggregate amount of outstanding qualified 501(c)(3) non-hospital bonds from which any 50l(c)(3) organization may benefit to $150 million. For purposes of this rule, two or more organizations under common management or control are to be treated as one organization. We note that the 1997 amendment to Section 145(b) excludes from the $150

million limit tax-exempt nonhospital bonds issued after August 5, 1997, as part of an issue 95% or more of the net proceeds of which (including issuance costs) are to be used to finance capital expenditures incurred after that date.

The proposed revenue bonds will be used to finance capital expenditures originally incurred after August 5, 1997. The proposed revenue bonds will not be subject to the $150 million aggregate limit by operation of the amendment. Thus, the College will not be asked to submit a statement certifying that the outstanding amount of all qualified 501(c)(3) non-hospital bonds which have been issued for any organization directly or indirectly managed or controlled by or under common management or control with the College does not exceed the $150 million limitation.

4. Establishment of Religion Concerns. The Application materials contain statements and other items in support of a conclusion that the College is not a "sectarian" institution for the purposes of applying establishment of religion clause limitations. In particular, the relevant organizational documents, general statements contained in official College publications, admissions standards and faculty hiring and tenure requirements support the conclusion that the College is not affiliated with any church body or religious order and that it follows academic freedom in the classroom and non-discrimination practices in faculty and student recruitment, retention and promotion. Under the Supreme Court's guidelines as established by the relevant decisions, the focus on actual practices is as important as the focus on institutional documents. Therefore, the members of the Authority should be satisfied that the College does in fact follow academic freedom in the classroom and non-discrimination practices in faculty and student recruitment, retention and promotion.

As noted above, the College has responded in the negative to various questions relating to religious matters in the Application.

On these facts, and under existing judicial interpretation of the establishment of religion clause, we conclude that Authority financing of the Project proposed by the College will not violate establishment of religion clause limitations.

We note that recent United States Supreme Court decisions in this area, while not directly on point, appear to broaden the permitted scope of public assistance to religious-affiliated educational institutions. Financing such as that provided by the Authority falls well within the permitted limits.

5. Rebate, Two-Year, 18-Month and Six-Month Spend-Down Exceptions. Based on the dates of acquisition of the Project set out in the Application, the six-month spending exception appears to be available for the Project.

The following is a summary of each exception:

a. The Revenue Reconciliation Act of 1989 (the "1989 Act"), as amended by a technical corrections act in 1990, created a two-year exception (the "two year spend-down exception") from the requirement to pay arbitrage rebate for governmental and 501(c)(3) bonds which meet the definition of a "construction issue" – that is, a bond issue for which at least 75% of net proceeds will be expended for "construction expenditures."

"Construction expenditures" are costs of construction chargeable to the capital account (other than expenditures for land or existing real property). Construction expenditures include costs of fixtures such as heating, ventilating and air conditioning and costs of equipment depreciated over a period of a year. To comply with this exception, all available construction proceeds of the issue must be spent within two years from the date of closing on the bond issue: 10% within six months, 45% within one year, 75% within 18 months and 95% to 100% within two years with an extension to three years for up to five percent retained from contractors. For the purposes of the proposed bond issue, "available construction proceeds" which must be spent on schedule generally includes investment earnings, but excludes the amounts used to fund a reserve fund and issuance costs. Investment earnings on the reserve fund during the construction period must be spent on schedule for project costs, including interest but not principal on the bonds or, if the College so elects, must be rebated. Rebate would still be payable on reserve fund investment (to the extent the yield of the investments exceeds the bond yield) after the construction period, but the two year spend-down exception offers potential significant savings. The two-year exception appears to be available for this issue.

b. The 1989 Act also created an exception for proceeds (whether for refunding, equipment or construction) which is spent in six months. The six-month exception appears to be available for this issue.

c. Under Treasury Department Regulations, a third exception was created for proceeds, including reasonably expected investment earnings as determined at closing, which are spent within 18 months (six months – 15 percent, 12 months – 60% and 18 months – 100%), except for a de minimus amount or a reasonable retainage which must be spent within 30 months of the bond closing date. This exception is not limited to construction purposes.

6. <u>Reimbursement Regulations</u>. The Internal Revenue Service has adopted regulations providing rules for determining when an issuer may use bond proceeds to reimburse expenditures made before the bonds are issued. The College can be reimbursed for expenditures paid for a project (as opposed to incurred but not paid) up to 60 days prior to the bond closing, or an earlier declaration of official intent. A reimbursement resolution adopted December 6, 2021, was filed with the Application. The Application indicates the purchases of the Project occurred on October 22, 2021 and December 16, 2021.

The College must use proceeds from a bond issue to reimburse itself for prior expenditures within 18 months from the later of (i) the date that the original expenditure is paid or (ii) the date that an element of the project is placed in service (but in no event more than three years after the original expenditure is paid). "Placed in service" means the date on which the project or facility has reached a degree of completion which would permit its operation at substantially its design level and is in operation at such level. The College should expect to be reimbursed from bond proceeds at or shortly after the closing.

7. <u>Use of Facilities by Business Enterprises</u>. If the College has or will have use by a private party of its facilities in a trade or business, including a contract with a for-profit private enterprise to provide services in connection with any of the financed facilities, we will need to

review the use and/or the contract to ensure compliance with guidelines relating to private use established in the Internal Revenue Code and the regulations promulgated thereunder and in Revenue Procedures 2001-39, 2007-47, 2016-44 and 2017-13 (together, "Private Use Rules"). The College has not described any such activity to be carried on in the financed facilities, but we think some further inquiry would be prudent to determine whether there is any "private use." Discovery of "private use" may necessitate that the College use its own funds to construct the private use facility (and allocated common areas) and to follow the guidelines in the Private Use Rules to preserve tax-exempt financing for the rest of the financed facilities.

Section 145(a) of the Internal Revenue Code provides that no more than five percent of the net proceeds of an issue may be used by any person other than a 501(c)(3) organization or governmental unit, or in a trade or business unrelated to the exempt purposes of the College. Even if a service or other management contract, or use of financed facilities, does not generate unrelated business income for the College, such agreements may constitute "use" of facilities of the College by a private (and nonexempt) entity which could render the bonds used to finance the facilities taxable. The Private Use Rules are lengthy and complex and will require careful review and application. The Private Use Rules require that the costs of issuance (a maximum of two percent payable from bond proceeds) to be counted against the five percent limit of private use, leaving only three percent available for other private use.

Subject to certain restrictions, the Private Use Rules would permit parts of the Project facilities which are "used" by a private entity to be financed by tax-exempt bonds. We will need to examine the intended "use" of the Project facilities to determine the applicable restrictions.

Any change in use or ownership of the Project or any portion thereof should be undertaken only with advice of bond counsel and, in some cases, advance arrangement of "remedial action" under Treasury Regulations Section 1.141-12.

8. Litigation. The College has indicated there is no pending litigation that is uninsured and would have a material adverse financial impact if resolved against the College. If litigation or discrimination charges are hereafter threatened or pending, the College should promptly notify the Authority, the municipal advisor and bond counsel and provide a description of such litigation or charge.

9. Sinking Fund Proceeds; Replacement Proceeds; Yield Restrictions. The Application states that the funds to pay debt service on the proposed bonds will be derived from the College's general operations and private/corporate donations. While this financing structure is similar to other recent Authority financings and does appear to raise "sinking fund" concerns. It will be necessary to analyze whether such donation will be subject to rebate or yield limitations under Section 148 of the Internal Revenue Code.

The notes to the College's financial statements indicate that the College at May 31, 2021, had substantial unrestricted, temporarily restricted and restricted assets available for various purposes. The arbitrage regulations adopted by the Internal Revenue Service impose limits on the yield on investments of "gross proceeds" of tax-exempt bonds. "Gross proceeds" include not only the actual proceeds received from the issuance and sale of bonds but also other monies characterized as "replacement proceeds." Amounts are "replacement proceeds" under the regulations if it is concluded that such amounts would have been used for the governmental purpose for which the bonds were issued (here, the Project) had proceeds of the bonds not been used for that governmental purpose. The mere availability or preliminary earmarking of funds for such purposes does not, in itself, necessarily lead to the conclusion that such funds would have been used for the governmental purpose of the bonds and thus are replacement proceeds. We will confer with the College and its counsel to confirm compliance with the replacement proceeds rules.

M:\docs\15003\000042\MEM\1AI9356.DOCX

RESOLUTION RELATING TO APPLICATION
FOR THE MINNEAPOLIS COLLEGE OF ART AND DESIGN

BE IT RESOLVED by the Minnesota Higher Education Facilities Authority as follows:

1. The Authority acknowledges receipt of the Application of the Minneapolis College of Art and Design, a Minnesota nonprofit corporation (the "College"), as owner and operator of the Minneapolis College of Art and Design (the "Institution") and exhibits thereto, including an Indemnity Agreement and an application fee in the amount of $1,000 (the "Application"), for a proposal relating to the financing of the acquisition and related expenses of properties located at 2450 Stevens Ave. S., Minneapolis, Minnesota, to be used to support administrative functions of the College and at 2601 Stevens Ave. S., Minneapolis, Minnesota, to be used to store equipment and supplies and serve as a maintenance shop for the College (the "Project"). The Project is owned and operated by the College and will be incorporated into its main campus, the principal street address of which is 2501 Stevens Avenue South, Minneapolis, Minnesota.

2. As required by Section 147(f) of the Internal Revenue Code, on February 16, 2022, this Authority, at a regular meeting, conducted a public hearing on the proposal to undertake and finance the Project following notice which was published at least 14 days prior to the date of the hearing in a newspaper of general circulation available to residents of the locality where the Project Facilities are located and posted at least 14 days prior to the date of the hearing on the Authority's website, at which public hearing all parties who appeared or who submitted written comments were given an opportunity to express their views with respect to the proposal.

3. Officers of the College have presented to this Authority information concerning the Project, the feasibility of the Project and the financing schedule for the Project and have responded to other matters concerning the Project, the Institution and the College.

4. The Executive Director of the Authority and Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, to the Authority, have reviewed the Application and the exhibits thereto, and recommend that the Authority approve the Application as submitted, subject to the conditions herein set forth.

5. On the basis of the information contained in the Application and its exhibits and presented orally to the Authority, its Executive Director and Bond Counsel, and on the basis of the recommendations made, the Authority hereby finds and determines that:

(a) The College is a nonprofit corporation and the Institution is an institution of higher education in the state, eligible to be a participating institution of higher education under Sections 136A.25 to 136A.42, Minnesota Statutes, as amended (the "Act").

(b) The Project as described in the Application is eligible for financing by the Authority and is a "project" under the Act.

(c) The Project is intended for and will provide for additional educational opportunity to the current and future generations of youth of the state in nonprofit institutions of higher education and will otherwise carry out the purposes and policies of the Act.

(d) The Institution is nonsectarian and does not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed and does not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect and all courses of study, including any religion and theology courses, are taught according to the academic requirements of the subject matter and the instructor's concept of professional standards.

(e) The Institution admits students without unlawful discrimination, and does not exclude, expel, limit or otherwise unlawfully discriminate against enrolled students, in accordance with Minnesota Statutes, Section 363A.13.

(f) The Project is available to the students of the Institution without unlawful discrimination, in accordance with Minnesota Statutes, Section 363A.13.

(g) Issuance of the revenue obligations by the Authority will not have the primary purpose or effect of advancing religion or interfering with the free exercise of religion and will not provide financing for a facility used or to be used for sectarian instruction or as a place of religious worship or a facility which is used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination.

(h) The Project and issuance of revenue obligations appear feasible.

6. The Project and the issuance of revenue obligations of the Authority in the maximum aggregate principal amount of $1,500,000 are therefore approved, provided that the College shall furnish any items which are needed to complete the Application or which are reasonably required by Bond Counsel in order to deliver an unqualified opinion as to the validity of the revenue obligations and tax status of the interest on the revenue obligations.

7. The Executive Director and Bond Counsel prepare and submit recommendations as to the terms of financing and the forms of documents appropriate for a public offering or private placement, as the case may be, and resolutions to the Authority and to the College for consideration and approval.

8. The Authority and the College each respectively reserves its right to terminate the Project and the financing thereof under the Act as provided in the Indemnity Agreement.

Adopted: February 16, 2022.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

By ________________________________
Gary D. Benson, Chair

By ________________________________
David D. Rowland, Secretary

Approved: ______________________________
Governor, State of Minnesota

Date Approved: __________________________

M:\DOCS\15003\000042\ROL\1AI9369.DOCX

SERIES RESOLUTION
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE NOTE, SERIES 2022
(MINNEAPOLIS COLLEGE OF ART AND DESIGN)

PRIVATE PLACEMENT PROGRAM

BE IT RESOLVED by the Minnesota Higher Education Facilities Authority, as follows:

1. Authority. This Authority is, by the Constitution and Laws of the State of Minnesota, including Sections 136A.25 to 136A.42, Minnesota Statutes, as amended (the "Act"), authorized to issue and sell its revenue bonds and notes for the purpose of financing the cost of acquisition of authorized projects and to enter into contracts necessary or convenient in the exercise of the powers granted by the Act and to pledge revenues of the project and otherwise secure the bonds and notes.

2. Authorization of Series 2022 Note. The Authority has determined that it is necessary and expedient to authorize, and the Authority does hereby authorize, the issuance and sale of the Authority's Revenue Note, Series 2022 (Minneapolis College of Art and Design) (the "Series 2022 Note" or the "Note") pursuant to the Act to provide money to be loaned to the Minneapolis College of Art and Design, a Minnesota nonprofit corporation (the "College") as owner and operator of an institution of higher education (the "Institution") in the principal amount not to exceed $1,500,000 to finance the acquisition costs and related expenses of properties located at 2450 Stevens Ave. S., Minneapolis, Minnesota, to be used to support administrative functions of the College and at 2601 Stevens Ave. S., Minneapolis, Minnesota, to be used to store equipment and supplies and serve as a maintenance shop for the College (the "Project"). The Project is owned and operated by the College and will be incorporated into its main campus of the College located at 2501 Stevens Avenue South, Minneapolis, Minnesota.

3. Finance Plan. The plan of finance for the Series 2022 Note, in the principal amount of $1,500,000, is to provide financing for the Project is as follows:

The Note shall be issued as a single promissory note in the principal amount of $1,500,000, shall be dated the Closing Date (as defined in the Agreement hereinafter referred to, estimated to be March 17, 2022), and shall be payable in semiannual installments of principal and interest on April 1 and October 1, commencing on October 1, 2022, and a final installment of principal and interest on April 1, 2032. Interest on the Note shall be payable at a fixed interest rate of 3.23%. The Note shall be subject to optional prepayment or redemption on any date, in whole or in part, as set forth in the Agreement. In the event of a Determination of Taxability (as defined in the Agreement), the Note shall bear additional interest at the rate of two percent per annum for an aggregate interest rate two percent above the fixed interest rate from the Date of Taxability (as defined in the Agreement).

The Authority hereby approves the plan of finance.

4. Documents Presented. Forms of the following documents relating to the Note and the Project have been prepared or reviewed by Fryberger, Buchanan, Smith & Frederick, P.A., as bond counsel, and submitted to the Authority and are now on file in the office of the Authority:

(a) Loan and Note Purchase Agreement (the "Agreement"), to be dated as of the date of issue of the Note, by and among the Authority, the College and Alerus Financial, N.A. (the "Purchaser") whereby, among other things, the Authority agrees to sell and the Purchaser agrees to purchase the Note, the Authority agrees to make a loan to the College of the proceeds of the sale of the Note, and the College covenants to complete the Project and to pay amounts sufficient to provide for the prompt payment of the principal of and interest on the Note.

(b) Assignment of Loan Repayments and Rights (the "Assignment") to be dated as of the date of issue of the Note, whereby the Authority assigns to the Purchaser all of its interest in the Loan Repayments of the College under the Agreement and all of its interest in the Agreement, for the purpose of securing the Note, with certain exceptions as set forth therein.

5. Findings. It is hereby found, determined and declared that:

(a) The Project is an authorized project under the Constitution and laws of the United States of America and the State of Minnesota, including the Act, the Institution is a nonprofit institution of higher education under the Act, and the Authority has authority and the jurisdiction to issue and sell the Series 2022 Note to finance the Project for the College.

(b) The Authority held a public hearing on February 16, 2022, relating to the Project and the Application filed by the College after due notice of hearing published in accordance with the requirements of Section 147(f) of the Internal Revenue Code, and in the opinion of bond counsel, based on representations of the College, the Series 2022 Note will be qualified Section 501(c)(3) bonds within the meaning of Section 145 of the Internal Revenue Code, the interest on which will be exempt from Federal income tax.

(c) On May 20, 2009, the Authority adopted the Policy on Private Placement Financing. The proposed Agreement and the issuance and sale of the Series 2022 Note substantially comply with the general guidelines of the Policy, and the College wishes the Authority to sell the Note in a private placement as permitted by the Policy.

(d) The Purchaser has presented a proposal to purchase the Series 2022 Note at a price equal to the principal amount of the Note, on the terms and conditions set forth in the Agreement, this Series Resolution (the "Note Resolution") and the Note. The Purchaser will also act as paying agent and registrar (the "Paying Agent and Registrar") with respect to the Note.

(e) Under the Agreement and the Purchaser Letter, the Purchaser represents that it has not sold and agrees that it will not sell the Note except to a "financial institution" and sell or assign an interest in the Note through a participation agreement in an amount less than $100,000. The Purchaser has agreed to execute and to cause any purchaser of the Note to execute a Purchaser Letter substantially in the form of Exhibit B-1 to the Agreement, representing among other things that the Purchaser or holder is purchasing the Note and not with a view to redistribution thereof and that such purchaser is a financial institution and has received all information deemed by it necessary and relevant to its decision to purchase the Note. Accordingly, no official statement or offering memorandum is deemed necessary under SEC Rule 15c2-12, and the issuance and sale of the Note by the Authority pursuant to the Agreement is exempt from the registration requirements of the Minnesota Securities Act, Chapter 80A, Minnesota Statutes.

(f) The Project consists of the acquisition and related expenses of properties located at 2450 Stevens Ave. S., Minneapolis, Minnesota, to be used to support administrative functions of the College and at 2601 Stevens Ave. S., Minneapolis, Minnesota, to be used to store equipment and supplies and serve as a maintenance shop for the College. The College has provided to bond counsel evidence of title to the Project.

(g) The representations of the Authority in Section 2.01 of the Agreement are true and correct.

(h) As required by the Act, the officers of the Authority authorized to sign checks or otherwise handle funds of the Authority shall furnish a surety bond, executed by a surety company authorized to transact business in the State of Minnesota as surety and file the same in the office of the Secretary of State of Minnesota, subject to approval of the Attorney General, prior to delivery of the Series 2022 Note, which officers and the amount of the surety bond shall be as set forth in the separate resolution adopted by the Authority on November 28, 1972.

(i) The Agreement provides for payments by the College to the Purchaser for the account of the Authority of such amounts as will be sufficient to pay the principal of and interest on the Note when due. No reserve funds are deemed necessary for this purpose. The Agreement obligates the College to provide for the operation and maintenance of the Project Facilities, including adequate insurance, taxes and special assessments. The Agreement further provides for the payment of a fee to the Authority at the Note Closing, and on each anniversary thereof, an amount equal to 1/8 of 1% per annum of the then outstanding amount of the Note (or such lesser amount as may be billed to the College) and for the College to pay all costs of issuance of the Note in excess of two percent of the proceeds of the Note from sources other than proceeds of the Note.

(j) The College has approved and requested the Authority to accept the proposal of the Purchaser to purchase the Note on the terms set forth herein and in the Agreement, and the proposal appears feasible and reasonable.

6. Approval and Execution of Documents. The forms of Agreement and the Assignment referred to in paragraph 4 are approved and shall be executed in the name and on behalf of the Authority by the Chair and Secretary, or the officers authorized to act for the foregoing officers, in substantially the form on file, but with all such changes therein, not

inconsistent with the Act or other law, as may be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof.

7. Approval of Terms and Sale of Note. The Authority shall proceed forthwith to issue its Series 2022 Note, in the amounts, maturing, bearing interest, payable in the installments and otherwise containing the provisions set forth in paragraph 3 hereof and in the form of Note attached as an exhibit to the Agreement, which terms and provisions are hereby approved and incorporated in this Note Resolution and made a part hereof. A single Note, substantially in the form of Exhibit A-1 to the Agreement, shall be issued and delivered to the Purchaser, and as authorized by the Act, principal of and interest on the Note shall be payable at the office of the Paying Agent and Registrar in Minnetonka, Minnesota.

8. Execution, Registration and Delivery of Note. The Note may be in typewritten or printed form and shall be executed by the facsimile signatures of the Chair and Secretary and the manual signature of the Assistant Secretary or the officers authorized to act for the foregoing officers and the official seal of the Authority shall be affixed thereto. When so prepared and executed, the Note shall be delivered to the Paying Agent and Registrar for registration and payment of the purchase price, upon satisfaction of the conditions specified in the Agreement, including receipt of the signed legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., of Duluth, Minnesota, bond counsel.

9. Registration Records. The Paying Agent and Registrar shall keep a register which shall provide for the registration of the Note and for transfers of the Note. The principal of and interest on the Note shall be paid to the Purchaser for the account of the Holders entitled thereto in Federal or other immediately available funds.

10. Mutilated, Lost Stolen or Destroyed Note. If a Note is mutilated, lost, stolen or destroyed, the Authority may execute and deliver and the Paying Agent and Registrar may authenticate and deliver to the person in whose name the Note is registered (the "Holder") a new Note of like amount, date, unpaid principal amount and tenor as that mutilated, lost, stolen or destroyed; provided that, in the case of mutilation, the mutilated Note shall first be surrendered to the Authority, and in the case of a lost, stolen or destroyed Note, there shall be first furnished to the Authority, the College and the Purchaser evidence of such loss, theft or destruction satisfactory to them, together with indemnity satisfactory to them. The Authority, the College and the Paying Agent and Registrar may charge the Holder with their reasonable fees and expenses in replacing any mutilated, lost, stolen or destroyed Note.

11. Transfer of Note; Person Treated as Holder. Subject to the restrictions in this Resolution, the Note shall be transferable by the Holder on the note register maintained by the Registrar, upon presentation of the Note for notation of such transfer thereon at the office of the Paying Agent and Registrar, accompanied by a written instrument of transfer in form satisfactory to the Paying Agent and Registrar, duly executed by the Holder or its attorney duly authorized in writing. The Note shall continue to be subject to successive transfers at the option of the Holder of the Note. No service charge shall be made for any such transfer, but the Paying Agent and Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The person in whose name the Note shall be issued or, if transferred, shall be registered from time to time shall be deemed and regarded as the absolute

Holder thereof for all purposes, and payment of or on account of the principal of and interest on the Note shall be made only to the Holder thereof, or to the Purchaser for the account of the Holder, and neither the Authority, the College nor the Paying Agent and Registrar shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Note to the extent of the sum or sums so paid. The Note shall be initially registered in the name of the Purchaser.

12. Amendments, Changes and Modifications to Agreement, Assignment and Note Resolution. Except pursuant to Section 9.05 of the Agreement, the Authority shall not enter into or make any change, modification, alteration or termination of the Agreement, the Assignment or this Note Resolution.

13. Pledge to Holder. Pursuant to the Assignment, the Authority shall pledge and assign to the Purchaser and its successor Holders of the Note all interest of the Authority in the Agreement, including all Loan Repayments to be made by the College under the Agreement and moneys derived from enforcement of the Agreement other than moneys received by the Authority as fees, indemnity or reimbursement of advances by the Authority. Other than such fees, indemnity and advance reimbursement payments, all collections of moneys by the Authority in any proceeding for enforcement of the obligations of the College under the Agreement shall be received, held and applied by the Authority for the benefit of the Holders of the Note.

14. Covenants with Holders; Enforceability. All provisions of the Note and of this Note Resolution and all representations and undertakings by the Authority in the Agreement are hereby declared to be covenants between the Authority and the Purchaser and its successor Holders of the Note and shall be enforceable by the Purchaser or any Holder in a proceeding brought for that purpose.

15. Proceeds of the Note. The proceeds of the Series 2022 Note shall be advanced to the College for reimbursement of Project Costs, payment of Project Costs or payment of costs of issuance of the Note, as provided in the Agreement.

16. Prior Action Ratified. The terms and provisions of the Agreement, the Assignment and each resolution of the Authority heretofore adopted by the Authority relating to the Series 2022 Note or the Project and the application relating thereto are all hereby incorporated by reference and adopted, ratified and confirmed; and the officers of the Authority and Fryberger, Buchanan, Smith & Frederick, P.A. as bond counsel are hereby authorized and directed to execute and deliver all closing documents and do every other thing necessary or convenient to carry out the terms and provisions of the Agreement and each exhibit thereto (including this Note Resolution) to the end that the Series 2022 Note shall be delivered, secured and serviced and to carry out the purposes and provisions of the Act with respect thereto without further resolution or other action by this Authority.

17. Definitions and Note Interpretation. Terms not otherwise defined in this Note Resolution but defined in the Agreement shall have the same meanings in this Note Resolution and shall be interpreted herein as provided therein. Notices may be given as provided in Section 9.03 of the Agreement.

18. Certifications. The Chair, Vice Chair, Secretary, Assistant Secretary and Recording Secretary of the Authority are authorized and directed to prepare and furnish to Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel, to the College, to the Purchaser and to counsel for the College and the Purchaser, certified copies of all proceedings and records of the Authority relating to the Project and the Note, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Authority as to the truth of all statements contained therein.

Adopted: February 16, 2022

____
Gary D. Benson, Chair

____
David D. Rowland, Secretary

M:\DOCS\15003\000037\ROL\16O063102.DOCX

Application for Financing

Higher Education

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Borrower Information

Name of Borrower: MitchellHamline School of Law

Date: 1/31/2022

Borrower Primary Contact Information:

Name Tressa Constantineau Ries

Title Vice President Finance and Administration

Email tressa.ries@mitchellhamline.edu Phone 651-227-7522

Purpose of Financing (Select all that apply)

- [x] Building acquisition, construction or renovation, site or equipment acquisition
- [x] Refinancing of one or more Authority bond issues
- [x] Refinancing of one or more indebtedness not issued by the Authority

Each of the following should be treated as a separate element and described separately, starting with "Project A." If not located on the main campus, please include the street address.

- each new building or complex of buildings (square footage, beds or floors)
- renovations associated with a particular building or site
- equipment that is not related to either the proposed new buildings or existing buildings that are to be renovated
- each Authority bond issue to be refinanced, specifying the series name
- each other indebtedness that is to be refinanced, specifying the date incurred, the lender and the capital project that was financed

Project A: Update and automate building HVAC controls

Project B: Purchase and implement new Enterprise Resource Planning (ERP) system, including Student Information System (SIS)

Project C: Refinance Series Seven-V

Project D: Termination of Interest Rate Derivative/Swap Agreement

Estimated Cost Summary

	Project A	Project B	Project C	Project D	Total
Construction cost	$ 1,000,000	$ 4,000,000			$ 5,000,000
Architectural, engineering and consultant costs					$ 0
Furnishings and equipment					$ 0
Site acquisition					$ 0
Principal amount of debt to be refinanced			$ 7,190,000	$ 1,345,000	$ 8,535,000
Other (excluding issuance costs and reserves)					$ 0
Total	$ 1,000,000	$ 4,000,000	$ 7,190,000	$ 1,345,000	$ 13,535,000

Estimated Financing Summary

	Project A	Project B	Project C	Project D	Total
Amount of funds from other sources	$ 200,000	$ 1,000,000			$ 1,200,000
Amount of project cost (excluding issuance costs and reserves) to be financed with Authority bonds	$ 1,000,000	$ 4,000,000			$ 5,000,000
Principal amount of debt to be refinanced			$ 7,190,000	$ 1,323,500	$ 8,513,500
Total	$ 1,200,000	$ 5,000,000	$ 7,190,000	$ 1,323,500	$ 14,713,500

Please give the approximate dates of any of the following steps that have already been taken:

	Project A	Project B	Project C	Project D
Construction has started				
Construction contract has been awarded				
Purchase contract for materials or equipment has been awarded				

Is any part of the facilities, now or in the future, to be managed or otherwise used by any person other than the borrower?

- [ ] Yes
- [x] No

If you checked "YES," please describe briefly the location and extent of the use and whether the user is an exempt organization under Section 501(c)(3) of the Internal Revenue Code:

Will any of the following actions violate any provisions of the articles of incorporation, the bylaws or constitution of the borrower or of any affiliated organization, any existing mortgage, deed, contract or other agreement, or any state, local or federal law, rule, regulation or ordinance?

Entering into a loan agreement with the Authority for the repayment of bond proceeds?

- [ ] Yes
- [x] No

Completing the proposed project or prepaying the Authority bonds or other debt that will be refinanced?

- [ ] Yes
- [x] No

Entering into a mortgage or security agreement to secure repayment to the Authority?

- [ ] Yes
- [x] No

Proposed Timing Summary

	Project A	Project B	Project C	Project D
Start date	4/1/2022	7/1/2022		
Completion date	6/1/2022	3/1/2025	3/15/2022	3/15/2022
Acquisition date if the project is only for equipment				
Optional redemption date for refinancings				

How will this bond issue be sold?

- [ ] Competitive public sale
- [ ] Negotiated public offering
- [x] Private placement
- [ ] Undecided

When do you wish to close on the bond issue?

- [ ] As soon as practical
- [x] No later than: March 31, 2022
- [ ] Not sooner than:

What is the expected source of funds to repay the loan of bond proceeds? (check all that apply)

- [x] Operating funds
- [x] Additional revenue from the project
- [x] Gifts from private donors
- [ ] Grants from governmental sources
- [ ] Other

If repayment is not expected to be entirely from operating funds, state the approximate amount from the other sources and whether such funds are temporarily or permanently restricted in any way as to use:

Is credit or liquidity enhancement expected? (check all that may apply)

- [ ] Bond insurance
- [ ] Letter of credit
- [ ] Standby bond purchase agreement for tendered bonds
- [ ] Guaranty

What is the status of any application for the foregoing?

What are the preferred scheduled payment dates?

Month and earliest year for annual principal payments: October 1

Earliest month and earliest year for interest payments: October 1, 2022

Are revenues available to pay interest during the construction period?

☑ Yes ☐ No, interest should be capitalized for _____ months ☐ Not Applicable

The following two questions apply to all <u>refinancings</u>. Please select "Not Applicable" if this does not apply.

☐ Not Applicable

1. Has the original project been completed substantially in accordance with the plans and specifications?

☑ Yes ☐ No

2. Has there been a default by the institution or by any other party, in the performance of the covenants and conditions relating to the Authority bonds or other debt to be refinanced?

☐ Yes ☑ No

The following four questions apply to refinancing debt that is <u>not</u> Authority issued bonds. Please select "Not Applicable" if this does not apply.

☐ Not Applicable

1. Will the proposed refinancing enhance and preserve the borrower and the facilities being refinanced or utilization thereof for educational purposes?

☑ Yes

☐ No, because:

2. Will the proposed refinancing extend or adjust maturities to correspond to the resources available for their payment?

☐ Yes

☑ No, because: refinancing/repayment term is not extended

3. Will the proposed refinancing reduce the tuition charges or fees imposed on students for the use of such facilities or costs met by state or federal funds?

☐ Yes

☑ No, because: projects do not reduce the overall cost of attendance

4. Will the proposed refinancing enhance or preserve educational programs and research or other facilities eligible to be a project or part thereof?

☑ Yes

☐ No, because:

The table below applies to refinancing debt that is <u>not</u> Authority issued bonds. Please check "Not Applicable "if this does not apply.

☐ Not Applicable

Statutory Maximum to Refinance Debt Other Than Authority Bonds

	Project A	Project B	Project C	Project D
(a) Original project costs				
(b) Principal amount of any debt (other than Authority bonds) to be refinanced				
(b) Accrued but unpaid interest on debt (other than Authority bonds) to be refinanced				
(b) Prepayment premium (or discount) on debt (other than Authority bonds) to be refinanced				
(c) Appraised value of project				
(c) Depreciated equipment				
Maximum allowable: the lesser of (a) original cost, (b) principal, interest and premium and (c) present value				

Check below if any of the projects are located in or involve any of the following:

☐ Riparian frontage

☐ Shoreland area

☐ Delineated flood plain

☐ State or Federally designated wild and scenic rivers district

☐ Minnesota River Project Riverbend area

☐ Mississippi River headwaters area

If there are any potential environmental issues, please summarize the major environmental issues:

Governmental Approval Summary

	Project A	Project B	Project C	Project D
Zoning variance or change	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending
Building permit	☐ not applicable ☐ received ☑ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending
Other governmental approval	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending
Environmental Assessment Worksheet	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending
Environmental Impact Statement	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending

If one or more governmental approvals are pending, please describe the status of the application process and whether approval is expected before the bond closing:

n/a

Borrower Contact Information:

Legal name of corporate borrower and street address:

MitchellHamline School of Law
875 Summit Ave St. Paul, MN 55105

President of College or University:

Anthony Niedwiecki

Chief Financial Officer (please give name, title, preferred mailing address, telephone, fax and email address):

Tressa Constantineau Ries, Vice President of Finance and Administration
875 Summit Avenue, St. Paul, MN 55105; 651-290-7522, tressa.ries@mitchellhamline.edu

Additional staff assisting with the project (please give name, title, preferred mailing address, telephone, fax and email address):

Attorney (please give name of firm and the responsible individual as well as preferred mailing address, telephone, fax and email address)

Taft Steinhaus & Hollister LLP, Catherine Courtney, Esq.; ccourtney@taftlaw.com; 612-977-8765
80 S. 8th Street, Suite 2200, Minneapolis, MN 55416

Independent Auditor (please give name of firm and the responsible individual as well as preferred mailing address, telephone, fax and email address)

RSM McGladrey LLP

Description of Accreditation and Degrees:

If the principal institutional accreditation is not North Central Association of Colleges and Secondary Schools, please state the principal accreditor:

American Bar Association

Degrees conferred are:

- ☐ Associate of Arts
- ☐ Associate of Applied Science
- ☐ Associate of Science
- ☐ Bachelor of Arts
- ☐ Bachelor of Fine Arts
- ☐ Bachelor of Music
- ☐ Bachelor of Music Education
- ☐ Bachelor of Science
- ☐ Master of Arts
- ☐ Master of Business Administration
- ☐ Master of Education
- ☐ Master of Fine Arts
- ☐ Master of Science
- ☐ Master of Social Work
- ☐ Master of Physical Therapy
- ☐ Doctor of Chiropractic Medicine
- ☐ Doctor of Education
- ☐ Doctor of Philosophy
- ☐ Doctor of Public Administration
- ☐ Doctor of Psychology
- ☑ Juris Doctor
- ☐ Others:

Religious Affiliations

1. Does the institution receive support from any church body?

☐ Yes ☑ No

2. Does a church body or religious order control the election of any trustees or officers?

☐ Yes ☑ No

3. Is the consent of any religious order or any other corporation necessary before the instution may sell or motgage its property or borrow money?

☐ Yes ☑ No

4. Are there any religious qualifications for faculty appointments?

☐ Yes ☑ No

5. If the institution teaches courses in religion or theology, does the institution confer a theology degree or otherwise prepare students for a religious vocation?

☐ Yes ☑ No

6. If the institution teaches courses in religion or theology, does the institution teach the distinctive doctrines, creeds or tenets of any particular religious sect?

☐ Yes ☑ No

7. Are the students required to attend chapel or other religious service?

☐ Yes ☑ No

Please explain if you have answered “YES” to any of the foregoing seven questions:

n/a

Teaching and Admission Standards

1. Does the institution and its faculty subscribe to the Statement of Principles of Academic Freedom promulgated by the American Association of University Professors and the Association of American Colleges?

☑ Yes ☐ No

2. Are all courses of study, including any religion and theology courses, at the institution taught according to the academic requirements of the subject matter and the individual instructor's concept of professional standards?

☑ Yes ☐ No

3. Does the institution admit students without regard to race, color, religion or national origin?

☑ Yes ☐ No

Please explain if you have answered "No" to any of the foregoing three questions:

n/a

No Discriminatory Practices

1. Does the institution unlawfully discriminate in any manner in the full utilization or benefit of the institution or its services because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

2. Does the institution expel, limit or otherwise unlawfully discriminate against enrolled students because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

3. Does the institution unlawfully discriminate in hiring, promotion, salary, and assignments or in any other matter in its employment practices, because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

Please explain if you have answered "Yes" to any of the foregoing three questions:

n/a

LIST OF EXHIBITS

(please number consecutively)

For traditional undergraduate and graduate programs and any nontraditional programs that provide substantial revenue: (A) Enrollment information (head count and full-time equivalent) submitted to the Office of Higher Education for the five-year period immediately preceding this application, (B) Projected head count and full-time equivalent enrollment for the five-year period following this application and (C) Applications, acceptances and matriculations for first year students during the past five fall terms.

- [x] attached as Exhibit 1
- [ ] not attached because project is for equipment only under lease program

Most recent published tuition, room and board fee schedule, and any supplemental charges.

- [x] attached as Exhibit 2
- [ ] not attached because project is for equipment only under lease program

List of all outstanding indebtedness (excluding debt that will be refinanced with new Authority bonds), including interest rates, amounts, repayment schedule and description of the mortgage or other collateral securing payment.

- [x] attached as Exhibit 3
- [ ] not attached because project is for equipment only under lease program

Description of any debt limitation, covenant or restriction to which the institution is subject, with a statement by the Chief Financial Officer and supporting calculations as to compliance with such debt limitation, covenant or restriction.

- [x] attached as Exhibit 4
- [ ] not attached because project is for equipment only under lease program

Audited financial statements for each of the past five fiscal years. May be provided by reference to your website (please state specific website address below), sent electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit 5
- [ ] Website address:

Current operating budget.

- [x] attached as Exhibit 6

Current college catalog for undergraduate and graduate programs. May be provided by reference to your website (please state specific website address below), sent electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit 7
- [ ] Website address:

Current faculty handbook. Please provide the website address, send electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit 8
- [ ] Website address:

List of current board members and officers.

- [x] attached as Exhibit 9

Copy of the current articles of incorporation. If the institution was incorporated under a special act, a copy of the special act with all amendments should be provided. Please include any amendments that are expected to be proposed for approval.

- [x] attached as Exhibit 10

Copy of the current bylaws of the corporation. Please include any amendments that are expected to be proposed for approval. Please include any other similar corporate guidelines such as a "constitution".

- [x] attached as Exhibit 11

Copy of the articles of incorporation and bylaws of any affiliated religious or other organization that must approve any action by the institution to sell or mortgage its property or to borrow money.

- [ ] attached as Exhibit ___
- [x] not applicable

Copy of the most recent ruling or letter from the Internal Revenue Service confirming that the institution is an organization described in Section 501(c)(3) of the Internal Revenue Code.

- [x] attached as Exhibit 12

Copy of the most recent letter from the Office of Higher Education confirming registration under <u>Minnesota Statutes</u>, Section 136A.61 to 136A.71.

- [x] attached as Exhibit 13

Description of any pending litigation that is uninsured and would have a material adverse financial impact if resolved against the institution. In addition, please describe any charge filed against the institution by a state or federal agency or any individual or group alleging unlawful discrimination by the institution.

- [ ] attached as Exhibit ___
- [x] no pending litigation

Either (A) a copy of a survey of the site (as built, if this is a refinancing) of the project, including the related legal description or (B) a plat map or other depiction of the project site that clearly shows the location of existing and proposed buildings and the relationship to a legal description. If a mortgage is necessary for this financing, a survey will be required and it must show any right-of-way necessary for access by the mortgagee or new owner to a public street or highway and all easements and other legal encumbrances.

- [ ] attached as Exhibit ___
- [x] arrangements for a survey or plat map will be made before bonds are offered for sale
- [ ] not attached because project is for equipment only under lease program

Either (A) a commitment to issue a title insurance policy in an owner's or mortgagee's form or (b) a preliminary opinion of title based upon an examination of real estate records covering the project site and certified to within approximately 30 days of the date of the opinion. All exceptions, liens and encumbrances should be noted on the commitment or opinion. The evidence should indicate that title or suitable ownership interest is held by the institution or a seller of any real estate to be acquired with this financing.

- [ ] attached as Exhibit ___
- [x] arrangements for evidence of ownership will be made before bonds are offered for sale.
- [ ] not attached because project is for equipment only under lease program

Copy of the resolution of the governing board (or the executive committee) of the institution in a form similar to Attachment A declaring official intent to reimburse itself from bond proceeds and authorizing submission of the Application.

- [x] attached (showing the effective date) as Exhibit 14
- [ ] not attached but will be adopted on ______________________________ (must be before public hearing)
- [ ] not applicable because this application is solely for refunding Authority bonds.

Copy of the resolution of the governing board (or the executive committee) of the institution in a form similar to Attachment B authorizing submission of this Application.

- [ ] attached (showing the effective date) as Exhibit ___
- [x] not applicable because a resolution similar to Attachment A is submitted

Certification by the architect in a form similar to Attachment C that the estimated costs of the items comprising the total structure costs are considered to be realistic and have been made according to accepted architectural practices for developing preliminary estimates.

- [ ] attached as Exhibit ___
- [x] not applicable because no construction or significant renovation is proposed

The following exhibits apply only to refinancing of debt that is <u>not</u> Authority bonds. Please select "Not Applicable" if this does not apply.

- [x] Not Applicable

Copy of all loan agreements, promissory notes, financing agreements, indentures, mortgages or other documents relating to the debt (that is not Authority bonds) to be refinanced, together with all amendments or modifications. May be provided on a labeled CD.

- [ ] attached as Exhibit ___

Copy of all leases, management agreements, use agreements or other documents relating to the capital project originally financed by the debt (that is not Authority bonds) to be refinanced, together with all amendments or modifications. May be sent electronically or provided on a labeled CD (mailed or delivered).

- [ ] attached as Exhibit ___

Copy of current appraisal of capital project originally financed by the debt (that is not Authority bonds) to be refinanced prepared by an appraiser with the MAI designation or the equivalent.

- [ ] attached as Exhibit ___

Signature and Certifications

The undersigned officers of the borrower hereby certify that the Application, including the enclosed exhibits are complete and correct. We have reviewed and hereby accept the terms of the Indemnity Agreement as set forth in Attachment D.

(Chief Executive Officer)

Signature: Anthony Niedwiecki

Title: President and Dean

And

(Chief Financial Officer)

Signature:

Title: Vice President of Finance and Administration

Date of this Application: 2/1/22

Delivery Instructions

The following two items must be received by the Authority in order to proceed with the financing:

☐ Signed Application, together with exhibits, for the Authority

- Email to bwf@mnhefa.org (cc: agl@mnhefa.org)
- Signed Application, together with exhibits, will be forwarded by the Authority to Bond Counsel and the Financial Advisor

☐ $1,000 Application Fee

- Checks should be made payable to: Minnesota Higher Education Facilities Authority
- Mail or Deliver check to:

  Minnesota Higher Education Facilities Authority

  380 Jackson Street, Suite 450

  Saint Paul, MN 55101

  651-296-4690

- Electronic payment is also available. Please contact the Authority for banking information if preferred.

RESOLUTION DECLARING OFFICIAL INTENT TO REIMBURSE AND AUTHORIZING SUBMISSION OF APPLICATION TO THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

WHEREAS, this Corporation is considering various means of financing the project described generally as the acquisition, construction, improvement and equipping of various facilities, including:

[Provide description such as classroom facility, residence hall for__________students, parking for__________ spaces, telecommunication equipment, __________ seat auditorium or stadium]

(collectively, the "Project") through taxable or tax-exempt debt; and

WHEREAS, the Corporation desires that the Project costs that may be paid prior to the issuance of tax-exempt bonds qualify for reimbursement from the proceeds of such tax-exempt bonds under Treasury Regulations Section 1.150-2;

NOW BE IT RESOLVED AS FOLLOWS:

1. The officers of this Corporation, acting individually or together, are authorized to prepare and submit a financing application to the Minnesota Higher Education Facilities Authority, provided that the officers shall obtain further approval from this Board as to the final terms and conditions of the borrowing or, subject to certain conditions described below, from the Executive Committee of this Board, as to the final terms and conditions of the borrowing.

2. Certain expenditures relating to the Project may be incurred and paid prior to the issuance of tax exempt bonds and this Board hereby declares the intent of the Corporation, for purposes of Section 1.150-2 of the Treasury Regulations, to reimburse itself for all or part of such expenditures from tax exempt bonds expected to be issued for the Project in the approximate maximum principal amount of $ (plus such additional principal amount necessary to provide for costs of issuance, net original issue discount, credit enhancement and any debt service reserve fund). Authority is hereby specifically conferred on any officer of this Corporation, to make such further declarations of official reimbursement intent on behalf of this Corporation as may be necessary or desirable.

3. The Executive Committee is authorized to give such approval as to the final terms and conditions of the borrowing on behalf of this Corporation as may be necessary or desirable, in lieu of the Board approval, provided that the maximum principal amount of the bonds shall not exceed the amount described in paragraph 2 above and the true interest cost on the bonds shall not exceed _____ %.

Adopted on_____

RESOLUTION AUTHORIZING SUBMISSION OF APPLICATION TO THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

WHEREAS, the [chief financial officer and/or the chief executive officer] of this Corporation has presented to this Board a proposal for the financing of

[refunding of certain bonds outstanding in the approximate amount of $_____ issued in [year] _____ as Series_____ for the construction, acquisition, improvement of the _____ building(s) and the acquisition and installation of _____ equipment.]

[refinancing of taxable debt outstanding in the approximate amount of $_____ incurred in [year]_____ with _____ as the lender for the construction, acquisition, improvement of the _____ building(s) and the acquisition and installation of _____ equipment.]

NOW BE IT RESOLVED AS FOLLOWS:

1. The officers of this Corporation, acting individually or together, are authorized to prepare and submit a financing application to the Minnesota Higher Education Facilities Authority with all necessary exhibits, provided that the officers must obtain further approval from this Board or, subject to certain conditions described below, from the Executive Committee of this Board, as to the final terms and conditions of the borrowing.

2.. The Executive Committee is authorized to give such approval as to the final terms and conditions of the borrowing on behalf of this Corporation as may be necessary or desirable, in lieu of the Board approval, provided that the approximate maximum principal amount of the bonds shall not exceed $_____(plus such additional principal amount necessary to provide for costs of issuance, net original issue discount, credit enhancement and any debt service reserve fund) and the true interest cost on the bonds shall not exceed _____%.

Adopted on_____

Attachment C

ARCHITECT'S CERTIFICATION

EXHIBIT __

This is to certify that the estimated costs of the items comprising the total structure costs are considered to be realistic and have been made according to accepted architectural practices for developing preliminary estimates.

____

Date

____

Signature of Architect

____

Name of person signing and title

____

Company name

____

Address

____

Telephone number

INDEMNITY AGREEMENT

Terms and conditions relating to any application by a nonprofit corporation, as operator of an institution of higher education (the "College") in the State of Minnesota for financing through the Minnesota Higher Education Facilities Authority (hereinafter called the "Authority"), an agency of the State of Minnesota.

1. For purposes of the Indemnity Agreement, the following terms are assigned the meaning set forth below:

"Act" means Minnesota Statutes, Section 136A.25 to 136A.42, as amended.

"*Authority, its agents and representatives*" includes any member or officer of the Authority, any employee of the State of Minnesota assigned to work with or for the Authority on a full time or part time basis, the Authority's financial advisor, the Authority's bond counsel, and, if approved by the College, any other consultant employed by the Authority in connection with the project.

"*Bonds*" includes bonds, notes and lease obligations.

"*Bond counsel*" means any law firm appointed by the Minnesota Attorney General's Office to act as bond counsel for the Authority.

"*Financial advisor*" means any firm appointed by the Authority to provide financial advisory services with respect to bonds of the Authority.

2. The College has submitted an application to the Authority for financing assistance under the Act, together with exhibits thereto (collectively, the "Application"). Such Application is true and complete in all respects, and if any change or event shall occur to make the Application untrue, incomplete or misleading, or if the College shall discover that the Application is untrue, incomplete or misleading, the College will notify the Authority promptly in writing.

3. The College will indemnify and hold the Authority, its agents and representatives harmless from any loss, liability or expense which they or any of them may incur or suffer as a result of (a) any untrue, incomplete or misleading statement or information provided or approved by the College and contained in the Application or subsequently furnished to the Authority, its agents or representatives or (b) any statement or information relating to the College, the College's project or operations of the College contained in any Official Statement or other public or private offering document approved by the College in connection with the issuance or sale of bonds for the College, if such statement or information is untrue or incorrect in any material respect or if there is an omission of any statement or information which should be contained therein or which is necessary to make the statements therein relating to the College, the College's project or the College's operations not misleading in any material respect.

4. Any written item furnished by an officer, director, trustee or employee of the College or by an architect, engineer, attorney or other consultant designated by the College in the Application or otherwise as being consultant to the College in respect of the project, shall be deemed to have been furnished by the College. Any item prepared by the Authority, its agents and representatives shall be deemed to have been approved by the College, if approved orally or in writing, (i) by an officer of the College or of its governing board or (ii) by a person designated as an authorized representative of the College by an officer of the College or of its governing board.

5. The College reserves the right to withdraw its Application any time before the Application is approved by the Authority, which approval shall be evidenced by a resolution of the members of the Authority at a regular or special meeting of the Authority. However, the Application fee, where required, is non-refundable whether or not the Application has been withdrawn and whether or not any bonds are issued for the College as proposed in the Application. However, any application fee will be credited against the first annual administrative fee.

6. The College understands that bond counsel and the financial advisor will use their best efforts in completing the financing pursuant to the Act. Without limiting the generality of the foregoing:

(a) The financial advisor is authorized (i) to investigate the feasibility of the project and the financing thereof, (ii) to make recommendations with respect thereto to the Authority and the bond counsel, (iii) to prepare, in consultation with the College and the bond counsel, an Official Statement describing the bonds, the project and the College and (iv) to present information respecting the College, the project and the bonds to any other person having a legitimate present or prospective interest in the project or bonds, including any investment banker, federal agency, bond rating agency, credit enhancement provider, or financial or other information media.

(b) The bond counsel is authorized (i) to investigate all legal questions respecting the College and the acquisition and financing of the project, (ii) to examine the corporate documents respecting the organization of the College, abstracts of title, construction contracts, leases and other agreements relating to the College or project, (iii) to render opinions on any such matters to the Authority, the financial advisor, the College or any other person having a legitimate present or prospective interest in the project or bonds, and (iv) to prepare forms of (A) Agreement between the Authority and the College, (B) Trust Indenture by the Authority to a trustee for the bondholders, (C) other related documents, (D) Resolutions to be adopted by the Authority and the College relating to the foregoing, and (E) any amendment or supplement to any of the foregoing deemed necessary or desirable by bond counsel.

(c) The Authority intends (i) to review all such recommendations, opinions and documents relating to the financing, (ii) to review all such additional documents as may be furnished by the College, and (iii) to present information respecting the College, the project and the bonds to any person having a legitimate present or prospective interest in the project or bonds.

7. The College agrees to pay the reasonable fees and expenses of the bond counsel and financial advisor and, if approved by the College, of any consultant employed by the Authority for services rendered after submission of the Application and any out-of-pocket expenses incurred by them on account of the project. The College further agrees to pay any out-of-pocket expenses incurred by the Authority on account of the project. The agreements on the part of the College contained in this paragraph 7 shall be enforceable by the Authority and by the financial advisor, bond counsel and (if approved by the College) other consultant employed by the Authority, whether or not the Application is approved or the project completed or bonds issued by the Authority and, without regard to cause.

8. The College agrees (i) to furnish as promptly as possible all information requested by the Authority, its agents and representatives, (ii) to make available to the Authority, its agents and representatives, all books and records, contracts, documents and reports of the College pertaining to the project and the organization and financial condition of the College, and (iii) to review all documents prepared by the Authority, its agents and representatives, as contemplated by paragraph 7, and communicate approval or request changes as the College may deem necessary or appropriate in its own best interests.

9. The Authority may terminate progress towards issuing bonds at any time and for any reason including: (a) failure by the College to perform the actions specified in paragraph 8, (b) the Application or other materials furnished by the College contains statements or omissions which are materially false or misleading, (c) either the College's project or issuing bonds for the College's project is not economically feasible, (d) the College is not an eligible institution under the Act or (e) the project is not an eligible project under the Act. Before the Authority terminates a financing under this paragraph 9, it shall notify the College at least 10 days in advance of the date of the Authority's regular or special meeting at which termination will be considered and to provide a reason for the termination. The College shall have the right to appear at such meeting and object in person or by writing to the proposed action of the Authority. The College agrees that the action of the Authority shall be final and binding upon the College.

10. The College has the right to terminate, for any reason and without cause, the financing at any time before bonds are sold by the Authority. Copies of such notice shall be sent to the Authority, its bond counsel, financial advisor and any other consultant employed by the Authority for the financing. Thereafter, the Authority's bond counsel, financial advisor and any other consultants shall not render further services, and neither they nor the Authority shall incur further expenses for the account of the College relative to the financing, except such minor services and expenses as may reasonably be required to wind up and protect the work done to the date of receipt of notice.

MEMORANDUM

TO: Barry W. Fick

DATE: February 9, 2022

FROM: McGrann Shea Carnival Straughn & Lamb, Chartered

RE: Application of the Mitchell Hamline School of Law for MHEFA Financing

---

We have reviewed the Application of the Mitchell Hamline School of Law (the "School") dated February 1, 2022 (the "Application"), and have found it to be complete and satisfactory from a legal standpoint, subject to the following:

1. Purpose. The Application relates to financing for a project (the "Project") consisting of (a) the acquisition, design, construction, renovation and equipping of various facilities, including improvements to the heating, ventilation and air conditioning (HVAC) systems, (b) acquisition and installation of a new student information system (SIS) and enterprise resource planning system (ERP), (c) the refunding of the Authority's outstanding Revenue Note, Series Seven-V (William Mitchell College of Law), dated May 30, 2013, issued in the original principal amount of $10,800,000 (the "Series Seven-V Note"), and (d) the funding of a payment arising from the termination of an interest rate swap, dated as of May 30, 2013, entered into by the School in relation to the Series Seven-V Note.

The Series Seven-V Note was issued to provide funds to finance the refunding of the Authority's outstanding Variable Rate Demand Revenue Bonds, Series Five-S (William Mitchell College of Law), dated October 2, 2003, issued in the original principal amount of $15,800,000 (the "Series Five-S Bonds"). The Series Five-S Bonds were issued to provide funds to finance (a) construction, renovation and expansion of a student center, (b) construction, renovation and expansion of classroom space with enhanced technology, and (c) expansion and upgrade of facility infrastructure, consisting of approximately 27,000 additional square feet and approximately 22,000 square feet of remodeled space.

All of the projects, facilities, improvements and systems to be financed or refinanced by the Project are or will be owned and operated by the School and located on the School's campus, the principal street address of which is 875 Summit Avenue, Saint Paul, Minnesota.

2. Incomplete Items. The following items required by the Application are missing or incomplete:

Architect's Certification. The architect's certification of estimated cost was not provided. The Application requires an architect's certification of estimated cost to avoid tax concerns relating to over-issuance of tax-exempt debt and to assure that adequate funding from the anticipated financing will be available to complete construction. We will work with the School to obtain satisfactory information as to how costs paid or to be incurred for the HVAC project (and the SIS and ERP systems) were estimated and contracted for or determined.

Minnesota Office of Higher Education Letter. The School has provided a letter dated June 15, 2021. The letter is acceptable for purposes of the Application, but if a more current registration letter from the Minnesota Office of Higher Education becomes available, it should be provided for the closing.

Evidence of Title. No evidence of title was submitted. The School should provide title evidence, in the form of a title commitment, attorney's title opinions, or owners and encumbrances reports and an updated as-built survey, plat map, plot plan or other property depiction, prior to closing, which will need to be examined when received to confirm that the School has good title to (or other suitable interest in) the Project. We will work with the School and its counsel to determine appropriate evidence of title.

Debt Limitations. The School should provide the most current calculations with respect to debt limitations and financial covenants and restrictions to which the School is subject, and a copy of a current compliance certificate relating to such calculations signed by the School's chief financial officer.

3. Financial Covenants; Prior Liens. The notes to the School's most recent financial statements indicate that the School has one bond issue outstanding: the Series Seven-V Note which is expected to be refunded by proceeds from the financing. In connection with the Series Seven-V Note, the School entered into an interest rate swap. The financial statement notes also indicate that the School has access to a line of credit. In connection with those obligations, the School has entered into certain agreements which including specific financial covenants, a mortgage with respect to certain real property (including the Project Facilities) and a negative pledge with respect to certain unrestricted funds. The swap is expected to be terminated in connection with the proposed financing. Prior to the issuance of the proposed revenue obligations, the School and its accountants and counsel should examine such prior covenants and provide the Authority with the information necessary to demonstrate both current compliance and whether issuance of the proposed revenue obligations will cause an event of noncompliance. The prior liens, pledges and commitments, if any, on the Project Facilities which will remain in place following the issuance of the proposed obligations should be identified and disclosed in the Private Placement Memorandum, if any, within the context of the School's pledge of its full faith and credit or other collateral for the proposed bonds.

4. $150 Million Limit on Tax Exempt Non-Hospital Bonds Under Section 145(b) of Internal Revenue Code. Internal Revenue Code Section 145(b) limits the aggregate amount of outstanding qualified 501(c)(3) non-hospital bonds from which any 501(c)(3) organization may benefit to $150 million.

A 1997 amendment to Section 145(b) excludes from the $150 million limit tax-exempt non-hospital bonds issued after August 5, 1997, as part of an issue 95 percent or more of the net proceeds of which (including issuance costs) are to be used to finance capital expenditures incurred after that date. The Series Five-S Bonds were issued after 1997 and financed capital expenditures incurred after 1997. Accordingly, the portion of the proceeds of the proposed bonds used to refund the Series Seven-V Note (which refunded the Series Five-S Bonds) will be excluded from the $150 million limitation by reason of the 1997 amendment. Also, the portion of the proceeds of the proposed obligations which will be used to finance the HVAC project and the acquisition and installation of the SIS and ERP systems will not be subject to the limitation because of the 1997 amendment.

5. Establishment of Religion. The School is not affiliated with any religious organization. Absent from the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws and accompanying Application materials is any information which might suggest that the School is "sectarian," or that the Project Facilities could be used for religious instruction.

On these facts, and under existing judicial interpretation of the Establishment of Religion Clause, we conclude that Authority financing of the Project proposed by the School will not violate Establishment of Religion clause limitations.

6. Use of Project Facilities by Business Enterprises. The School has indicated in its Application that it does not expect to have a contract with a for-profit private enterprise to engage in revenue-generating activity with respect to the Project Facilities. (This would represent a change since the School's 2013 Application relating to the issuance of the Series Seven-V Note.) Such arrangements potentially could give rise to concerns relating to private use under the Internal Revenue Code, related regulations, and Revenue Procedures 97-13, 97-14 and 2001-39 (together, "Private Use Rules"). Discovery of "private use" may necessitate that the School use its own funds to finance the private use facility (and allocated common areas) and to follow the guidelines in the Private Use Rules to preserve tax-exempt financing for the rest of the financed facilities.

Section 145(a) of the Internal Revenue Code provides that no more than five percent of the net proceeds of an issue may be used by any person other than a 501(c)(3) organization or governmental unit, or in a trade or business unrelated to the exempt purposes of the School. Even if use of the Project Facilities does not generate unrelated business income for the School, such agreements may constitute "use" of facilities of the School by a private (and nonexempt) entity which could render the bonds used to finance the facilities taxable. The Private Use Rules are lengthy and complex and will require careful review and application.

The Private Use Rules require that the costs of issuance (a maximum of two percent payable from bond proceeds) be counted against the five percent limit of private use, leaving only three percent available for other private use.

Subject to certain restrictions, the Private Use Rules would permit parts of the Project Facilities which are "used" by a private entity to be financed by tax-exempt bonds. We will engage with the School to determine what, if any, private use may be ongoing. If it is determined that there is any greater private use of the Project Facilities, we will need to examine the intended "use" of the Project Facilities to determine the applicable restrictions.

Any change in use or ownership of the Project Facilities or any portion thereof should be undertaken only with advice of bond counsel and, in some cases, advance arrangement of a remedial action under Treasury Regulations Section 1.141-12.

7. Litigation. The School has indicated that there are no claims pending. If any litigation or claims, threatened or pending, should arise prior to closing, the School should promptly notify the Authority, the municipal advisor and bond counsel and provide a description of such litigation.

8. Commitments. The notes to the financial statements indicate that in February 2015 the School entered into an agreement (the "Combination Agreement") with Hamline University ("Hamline") to combine the School and Hamline University Law School into a single legal entity. According to the notes, for the first five years following the combination, Hamline would have the right to nominate one-third of the School's Board of Trustees, and the president of Hamline would be a member of the School's Board. In addition, there are "a limited number of consequential matters" that would require the approval of the Hamline Board of Trustees. Further, the notes disclose that the School is obligated to make reimbursement payments to Hamline in respect of certain shared expenses related to the combination, and also must pay Hamline a percentage of net tuition revenue. While it appears that some of these arrangements may have already lapsed by their terms, we think some further inquiry regarding the Combination Agreement would be prudent.

9. Rebate, Two Year, 18-month and 6-month Spend-Down Exceptions. The Application indicates that work on the HVAC project is expected to commence in April 2022 and be substantially completed by June 2022. Work on the acquisition and installation of the SIS and ERP systems is expected to commence in July 2022 and be completed in spring of 2025. The refunding of the Series Seven-V Note as a current refunding will be accomplished within 90 days of the issuance of the proposed obligations.

The requirement to pay arbitrage rebate for the bonds has three exceptions which are related to the speed in which the proceeds of the obligations are spent. The three exceptions are the 2-year exception, the 18-month exception, and the six-month exception. Looking at the schedule and other information provided by the School, it appears that the six-month exception would apply to the HVAC project and the refunding. Bond counsel and the municipal advisor will work with the School regarding the timing of the proposed issue and reimbursement of prior construction expenses, the remaining construction, acquisition and installation, and expenditure schedule, and the current refunding schedule to determine whether the six-month exception (or 18-month or the 2-year exception) will be possible.

The following is a summary of each exception:

a. The Revenue Reconciliation Act of 1989 (the "1989 Act"), as amended by a technical corrections act in 1990, created a two-year exception (the "2-year exception") from the requirement to pay arbitrage rebate for governmental and 501(c)(3) bonds which meet the definition of a "construction issue" - that is, a bond issue for which at least 75 percent of net proceeds will be expended for "construction expenditures." "Construction expenditures" are costs of construction chargeable to the capital account (other than expenditures for land or existing real property). Construction expenditures include costs of fixtures such as heating, ventilating and air conditioning, costs of equipment depreciated over a period of a year, and certain computer software.

To comply with this exception, all available construction proceeds of the issue must be spent within two years from the date of closing on the issue: 10% within 6 months, 45% within one year, 75% within 18 months, and 95% to 100% within two years with an extension to three years for up to 5% retained from contractors. For the purposes of the proposed issue, "available construction proceeds" which must be spent on schedule generally includes investment earnings, but excludes amounts used to fund a reserve fund and issuance costs. Investment earnings on the reserve fund during the construction period must be spent on schedule for project costs, including interest but not principal on the obligations or, if the School so elects, must be rebated. This 2-year exception is in addition to the six-month exception created under prior law. Rebate would still be payable on reserve fund investment income, if any (to the extent the yield of the investments exceeds the bond yield) after the construction period, but the 2-year exception offers potentially significant savings.

b. Under Treasury Department Regulations, a second exception was created for proceeds, including reasonably expected investment earnings as determined at closing, which are spent within 18 months (6 months - 15%, 12 months - 60% and 18 months - 100%), except for a *de minimis* amount or a reasonable retainage which must be spent within 30 months of the closing date. This exception is not limited to construction purposes.

c. The 1989 Act also created an exception for proceeds (whether for refunding, or equipment or construction) which are spent in six months.

10. Reimbursement Regulations. As noted above, the Application indicates that work on the HVAC project is expected to commence in April 2022 and be substantially completed in June 2022; and acquisition and installation of the SIS and ERP systems is expected to be commenced in July 2022 and completed in spring 2025.

The Internal Revenue Service has adopted rules for determining when an issuer may use bond proceeds to reimburse expenditures made before the bonds are issued. The School has adopted a resolution declaring official intent to reimburse on January 31, 2022, and therefore, the School can be reimbursed for Project capital expenditures paid (as opposed to incurred but not paid) prior to the closing. In addition, the School may be reimbursed for certain preliminary expenditures and in amounts considered to be de minimis. We will work with the School to identify reimbursable costs and to protect the School's ability to finance expenditures made before the obligations are issued.

The School must use proceeds from an issue to reimburse itself for prior expenditures within 18 months from the later of (i) the date that the original expenditure is paid or (ii) the date that an element of the Project is placed in service (but in no event more than three years after the original expenditure is paid). "Placed in service" means the date on which the project or facility has reached a degree of completion which would permit its operation at substantially its design level and it is in operation at such level. The School may expect to be reimbursed from proceeds at or shortly after the closing.

11. Project Contracts. The School should provide a copy of a guaranteed maximum price cost contract or contracts for the construction, acquisition and installation portions of the Project when available.

12. Governmental Approvals. The School has indicated in the Application that the necessary building permits are pending, and an environmental assessment worksheet or environmental impact statement, or other governmental approvals, are not required.

13. Sinking Fund Proceeds; Replacement Proceeds; Yield Restrictions. We would anticipate that the funds to pay debt service on the proposed bonds will be derived from the School's general operations. A first mortgage on the School's campus, and certain financial covenants including periodic testing of a minimum liquidity level, may be proposed. While this financial structure is similar to several other recent Authority financings, the proposed liquidity covenant may raise "sinking fund" concerns.

The notes to the School's financial statements indicate that the School as of June 30, 2021, had substantial unrestricted, temporarily restricted, and restricted assets available for various purposes. The arbitrage regulations adopted by the Internal Revenue Service impose limits on the yield on investments of "gross proceeds" of tax-exempt bonds. "Gross proceeds" include not only the actual proceeds received from the issuance and sale of bonds but also other monies characterized as "replacement proceeds." Amounts are "replacement proceeds" under the regulations if it is concluded that such amounts would have been used for the governmental purpose for which the bonds were issued (here, the several elements of the Project) had proceeds of the bonds not been used for that governmental purpose.

Amounts also may be replacement proceeds if they are held or expected to be used to pay debt service on bonds, or are subject to a negative pledge or maintenance covenant. The mere availability or preliminary earmarking of funds for such purposes does not, in itself, necessarily lead to the conclusion that such funds would have been used for the governmental purpose of the bonds and thus are replacement proceeds.

It will also be necessary to analyze whether any "transferred proceeds" from the bonds being refunded are subject to rebate or yield limitations under Section 148 of the Internal Revenue Code.

We will confer with the School and its counsel to confirm compliance with the replacement proceeds rules.

14. Restrictions on Advance Refunding Bonds. Prior to enactment of the Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97, Title I, Dec. 22, 2017, 131 Stat. 2054 (the "Tax Cuts Act"), to the extent principal of, interest on and premium, if any, with respect to bonds being refunded by the proposed obligations were not paid until more than 90 days from the date of issue of the proposed obligations, the proposed obligations would constitute "advance refunding bonds" within the meaning of Internal Revenue Code Section 149(d), and were subject to a number of stringent restrictions as set forth in that section of the Code.

Under provisions of the Tax Cuts Act, no tax-exempt bond may be advance refunded on a tax-exempt basis after December 31, 2017. The Series Seven-V Note will be called for redemption within 90 days of the closing. Thus, the refunding of the Series Seven-V Note by the proposed obligations will be on a current refunding basis.

1391150.DOCX

RESOLUTION RELATING TO APPLICATION
FOR MITCHELL HAMLINE SCHOOL OF LAW

Be It Resolved by the Minnesota Higher Education Facilities Authority as follows:

1. The Authority acknowledges receipt of the Application dated February 1, 2022, of Mitchell Hamline School of Law, formerly known as William Mitchell College of Law, a Minnesota nonprofit corporation (the "School"), as owner and operator of Mitchell Hamline School of Law, an institution of higher education (the "Institution"), and exhibits thereto, including an Indemnity Agreement and an application fee in the amount of $1,000 (the "Application"), to finance costs of a project (the "Project") consisting of (a) the acquisition, design, construction, renovation and equipping of various facilities, including improvements to the heating, ventilation and air conditioning (HVAC) systems, (b) acquisition and installation of a new student information system (SIS) and enterprise resource planning system (ERP), (c) the refunding of the Authority's outstanding Revenue Note, Series Seven-V (William Mitchell College of Law), dated May 30, 2013, issued in the original principal amount of $10,800,000 (the "Series Seven-V Note"), and (d) the funding of a payment arising from the termination of an interest rate swap, dated as of May 30, 2013, entered into by the School in relation to the Series Seven-V Note.

The Series Seven-V Note was issued to provide funds to finance the refunding of the Authority's outstanding Variable Rate Demand Revenue Bonds, Series Five-S (William Mitchell College of Law), dated October 2, 2003, issued in the original principal amount of $15,800,000 (the "Series Five-S Bonds"). The Series Five-S Bonds were issued to provide funds to finance (a) construction, renovation and expansion of a student center, (b) construction, renovation and expansion of classroom space with enhanced technology, and (c) expansion and upgrade of facility infrastructure, consisting of approximately 27,000 additional square feet and approximately 22,000 square feet of remodeled space.

2. All of the projects, facilities, improvements and systems to be financed or refinanced by the Project are sometimes collectively referred to as the "Project Facilities." The Project Facilities are or will be owned and operated by the School and located on the Institution's campus, the principal street address of which is 875 Summit Avenue, Saint Paul, Minnesota.

3. The Executive Director, in consultation with the Chair of the Authority, has selected a date for a public hearing to be held with respect to the Application in conjunction with a meeting of the Authority and has caused notice of the public hearing to be given by posting electronically on the Authority's public website in an area used to inform the public of meetings of the Authority, no fewer than 10 days prior to the date of the hearing.

4. In accordance with Section 147(f) of the Internal Revenue Code and Rev. Proc. 2021-39, the Authority conducted a public hearing on February 16, 2022, on the proposal described in the Application to finance the Project, at which public hearing all parties who appeared in person or by toll-free teleconferencing, or who submitted written comments, were given an opportunity to express their views with respect to the proposal.

5. Officers of the School have presented to this Authority information concerning the need for the Project, the feasibility of the Project, the financing schedule for the Project and responded to other matters concerning the Project, the Project Facilities, the Institution and the School.

6. The Executive Director of the Authority and McGrann Shea Carnival Straughn & Lamb, Chartered, bond counsel to the Authority, have reviewed the Application and the exhibits thereto, and recommend that the Authority approve the Application as submitted, subject to the conditions herein set forth.

7. On the basis of the information contained in the Application and its exhibits and presented orally to the Authority, its Executive Director, and bond counsel, and on the basis of the recommendations made, the Authority hereby finds and determines that:

(a) The School is a nonprofit corporation and the Institution is an institution of higher education in the state, eligible to be a participating institution of higher education under Sections 136A.25 to 136A.42, Minnesota Statutes, as amended (the "Act").

(b) The Project as described in the Application is eligible for financing by the Authority and is "project" under the Act.

(c) The Project Facilities and the financing and refinancing thereof are intended for and will provide for additional educational opportunity to the current and future generations of youth of the state in nonprofit institutions of higher education and will otherwise carry out the purposes and policies of the Act.

(d) The Institution is nonsectarian and does not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed and does not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect and all courses of study, including any religion and theology courses, are taught according to the academic requirements of the subject matter and the instructor's concept of professional standards.

(e) The Institution admits students without unlawful discrimination, and does not exclude, expel, limit or otherwise unlawfully discriminate against enrolled students, in accordance with Minnesota Statutes, Section 363A.13.

(f) The Project Facilities are available to students of the Institution without unlawful discrimination, in accordance with Minnesota Statutes, Section 363A.13.

(g) Issuance of the revenue obligations by the Authority will not have the primary purpose or effect of advancing religion or interfering with the free exercise of religion and will not provide financing for a facility used or to be used for sectarian instruction or as a place of religious worship or a facility which is used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination.

(h) The Project and issuance of revenue obligations appear feasible.

8. The Project and the financing thereof by the issuance of revenue obligations of the Authority in the maximum aggregate principal amount of $13,750,000 are therefore approved, provided that the School shall furnish any items which are needed to complete the Application or which are reasonably required by bond counsel in order to deliver an unqualified opinion as to the validity of the revenue obligations and tax status of the interest on the revenue obligations.

9. The Executive Director shall direct bond counsel to the Authority or other legal counsel to prepare and submit the forms of financing documents, including, if necessary, a loan agreement and a trust indenture or a loan and note purchase agreement, a bond purchase agreement or a note purchase agreement or similar agreement, a mortgage, if any, an official statement or a private placement memorandum, if any, and related documents and resolutions, to the Authority and to the School for review.

10. The Authority and the School each respectively reserves its right to terminate the Project and the financing thereof under the Act as provided in the Indemnity Agreement.

Adopted: February 16, 2022.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

By ______________________________
Gary D. Benson, Chair

By ______________________________
David D. Rowland, Secretary

Approved: ______________________________
Governor, State of Minnesota

Date Approved: ___________________________

1390912.DOCX

February 9, 2022

Members of the Authority
c/o Mr. Barry Fick, Executive Director and Ms. Amanda Lee, Operations Manager
Minnesota Higher Education Facilities Authority
380 Jackson Street
Suite 450, Cray Plaza
St. Paul, MN 55101

Members of the Authority, Mr. Fick and Ms. Lee:

Thank you for the invitation to propose a renewal of our agreement to provide auditing services. I'm providing this letter as our quote which includes an audit of the Authority's basic financial statements performed in accordance with generally accepted auditing standards:

For the year ending June 30, 2022	$19,950
For the year ending June 30, 2023	$20,550
For the year ending June 30, 2024	$20,950

We are very appreciative of the relationship we've had with the Authority over the years and hope this quote meets your needs. We understand the magnitude of operations may expand during the 2023 fiscal year, but we are confident we can honor the pricing as stated above.

Please sign, scan and email this letter back to me to commit to pricing as listed.

Sincerely,

Matthew L. Mayer, CPA

The Minnesota Higher Education Facilities Authority agrees to the fees above.

By: ______________________________________

Title: ______________________________________

Date: ______________________________________

MEMORANDUM

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

380 JACKSON STREET, SUITE 450, ST. PAUL, MN 55101

Main Phone: 651.296.4690 Fax: 651.297.5751

Date: 9 February 2022

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: Audit Fee Proposal for Fiscal Years 2022 - 2024

At the November 8, 2021, Authority meeting, the Board approved a staff request to approach our audit firm BerganKDV for a fee quote for an additional 3-year engagement. The year ended June 30, 2021, was the final year of the Authority's current 3-year engagement with BerganKDV.

We requested a proposal from BerganKDV for audit services after the Board approval of staff's request to discuss an extension of our engagement with them. We have recently received a fee proposal from BerganKDV for a 3-year engagement covering the Authority Fiscal Years 2022 – 2024.

The proposed fees are only slightly higher than our current audit fee. The annual increase in the audit fee is very reasonable, averaging at or slightly under 3% increase for each of the three years of the engagement. In addition, the proposed fee schedule would not be subject to change in the event the Authority's issue expansion legislation passes and our financial activity increases in any of the next 3 fiscal years.

The National Association of Health and Education Financing Facilities Authorities (NAHEFFA) conducts an annual survey of its nearly 40 members, all of whom are state conduit bond issuing authorities like MHEFA. The survey includes a question regarding audit fees paid by each member.

The audit fees paid by MHEFA consistently are among the lowest reported in the NAHEFFA survey. The proposed fee schedule for a 2022-2024 engagement by BerganKDV are only modestly higher than the fees MHEFA has paid under it's most recent 3-yer engagement with BerganKDV.

Staff have been pleased with the service provided by BerganKDV and recommends accepting the proposed 3-year fee schedule for providing auditing services to MHEFA for the fiscal years 2022-2024 and authorizing the Executive Director of the Authority to sign the engagement letter with BerganKDV.

EXEC. DIR. REPORT

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

380 JACKSON STREET, SUITE 450, ST. PAUL, MN 55101

Main Phone: 651.296.4690 Fax: 651.297.5751

Date: February 9, 2022

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: Executive Director's Report

Legislative Update

The 2022 Legislative session has begun. Our bill authors have been updated and the bill has been introduced in the legislature. Our Fiscal Note has been completed and as was the case last year, shows no fiscal effect to the State of Minnesota by passage of our legislation.

We continue to collaborate with our consultant and independently meet with a number of Legislators and their staff members. We continue to answer staff questions and will be meeting with staff over the next few weeks to educate them on our legislative proposal.

Borrower Assistance and Financing Application Update

- We are working with MCAD on a private bank placement, which was considered by the Authority Board at the February 2022 meeting
- We are working with Mitchell Hamline on a private bank placement as part of an upcoming Mandatory Tender of an outstanding Note. The public hearing on that financing was held at the February 2022 Board meeting
- We are working with multiple schools on Moody's rating updates, including
    - Concordia College – Reassigned within Moody's, to be completed in February 2022
    - College of St. Benedict – Completed Feb 9, 2022; rating affirmed at Baa1, Negative
    - Macalester College – March 2022
    - Augsburg University – Likely later in 2022

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

- St. Thomas has finished the SOQ and RFP phases of their financing program and is preparing for a Spring 2022 financing. We expect to receive an Application in the near future
- We continue to support schools in their compliance with Continuing Disclosure obligations

The State of Minnesota has extended its "work from home" requirement until an indeterminate time in 2022. The State expects to offer the option to continue to fully work from home, use a hybrid model or work full-time from the office.

Borrower Staffing Update

- Hamline University is continuing with their CFO search
- The CFO at the College of St. Scholastica has retired, and the College will be conducting a search for a permanent CFO

Various Items of Interest

We continue planning for the MHEFA Finance Conference on April 20, 2022. With the conference now two months away, Authority staff have made the difficult decision to hold the conference virtually again this year. The State of MN guidelines state that all events that can be held virtually should be held virtually. We hope to have an in-person open house at our new Authority office to showcase our new location once we have settled into the space. We have confirmed that representatives from Moody's will present at the conference. We have an Economic Update speaker from Piper Sandler. Other speakers are pending, including an arbitrage update presentation.

Minnesota Higher Education Facilities Authority

Budget vs. Actuals: FY2022 Budget (original) - FY22 P&L

July 2021 - June 2022

	TOTAL				
	ACTUAL	BUDGET	REMAINING	% OF BUDGET	% REMAINING
Income					
4010 Annual Fee Income	666,443.80	435,000.00	-231,443.80	153.21 %	-53.21 %
4020 Application Fee Income	1,000.00	1,000.00	0.00	100.00 %	0.00 %
4030 Miscellaneous Income	0.02		-0.02		
Discounts given	-435,030.42		435,030.42		
Total Income	**$232,413.40**	**$436,000.00**	**$203,586.60**	**53.31 %**	**46.69 %**
GROSS PROFIT	**$232,413.40**	**$436,000.00**	**$203,586.60**	**53.31 %**	**46.69 %**
Expenses					
6000 Stipends	550.00	3,960.00	3,410.00	13.89 %	86.11 %
6001 Board Travel	267.55	5,000.00	4,732.45	5.35 %	94.65 %
6002 Communications	4,838.97	13,900.00	9,061.03	34.81 %	65.19 %
6003 Staff Travel	2,488.40	15,000.00	12,511.60	16.59 %	83.41 %
6004 Office Rent	28,224.58	49,213.97	20,989.39	57.35 %	42.65 %
6005 Office Supplies		1,000.00	1,000.00		100.00 %
6007 Printing Expense	545.56	1,000.00	454.44	54.56 %	45.44 %
6008 Periodicals/Memberships	3,608.94	8,000.00	4,391.06	45.11 %	54.89 %
6009 Fiscal Consultant Fees		4,000.00	4,000.00		100.00 %
6010 Audit Fees	19,400.00	19,400.00	0.00	100.00 %	0.00 %
6012 Legal Fees	25,414.40	52,000.00	26,585.60	48.87 %	51.13 %
6013 Insurance Expense		1,700.00	1,700.00		100.00 %
6015 Miscellaneous Expense	131.00	5,000.00	4,869.00	2.62 %	97.38 %
6016 Bank Service Charges	1,602.55	3,000.00	1,397.45	53.42 %	46.58 %
6017 Conference Expenses		15,000.00	15,000.00		100.00 %
6018 Professional Development-Board		2,000.00	2,000.00		100.00 %
6020 Professional Development-STAFF	2,039.00	5,000.00	2,961.00	40.78 %	59.22 %
6021 IT	6,610.87	13,050.00	6,439.13	50.66 %	49.34 %
6023 Postage/Delivery Expense	45.97	150.00	104.03	30.65 %	69.35 %
6100 Salaries	116,134.10	226,000.00	109,865.90	51.39 %	48.61 %
6101 Fringe Benefits	41,024.79	85,000.00	43,975.21	48.26 %	51.74 %
6104 Worker's Compensation	170.00	170.00	0.00	100.00 %	0.00 %
6107 Office Contract Work	12,870.00	30,000.00	17,130.00	42.90 %	57.10 %
6200 Equipment Leases	4,205.49	7,060.00	2,854.51	59.57 %	40.43 %
Total Expenses	**$270,172.17**	**$565,603.97**	**$295,431.80**	**47.77 %**	**52.23 %**
NET OPERATING INCOME	**$ -37,758.77**	**$ -129,603.97**	**$ -91,845.20**	**29.13 %**	**70.87 %**
Other Income					
4000 Interest Income	14,600.12	18,500.00	3,899.88	78.92 %	21.08 %
4050 Unrealized Gain/Loss Adjustment on Sale	-4,150.31		4,150.31		
Total Other Income	**$10,449.81**	**$18,500.00**	**$8,050.19**	**56.49 %**	**43.51 %**
Other Expenses					
Other Miscellaneous Expense		20,000.00	20,000.00		100.00 %
Total Other Expenses	**$0.00**	**$20,000.00**	**$20,000.00**	**0.00%**	**100.00 %**

Minnesota Higher Education Facilities Authority

Budget vs. Actuals: FY2022 Budget (original) - FY22 P&L

July 2021 - June 2022

	TOTAL				
	ACTUAL	BUDGET	REMAINING	% OF BUDGET	% REMAINING
NET OTHER INCOME	**$10,449.81**	**$ -1,500.00**	**$ -11,949.81**	**-696.65 %**	**796.65 %**
NET INCOME	**$ -27,308.96**	**$ -131,103.97**	**$ -103,795.01**	**20.83 %**	**79.17 %**

Note

Month ending 1/31/2022
5/12 months remaining = 41.67% of budget year remaining