

**NEW ISSUE
BOOK-ENTRY ONLY**

STANDARD & POOR'S RATING: "A-"

In the opinion of Gray, Plant, Mooty, Mooty & Bennett, P.A., bond counsel, under existing statutes, court decisions, and rulings, interest on the Bonds is not includable in gross income for Federal income tax purposes and, to the same extent, is not includable in net taxable income for Minnesota income tax purposes (other than Minnesota franchise taxes measured by net income and imposed on corporations and financial institutions). Interest on the Bonds is not a preference item for purposes of the federal alternative minimum tax. See "TAX EXEMPTION" herein.

Minneapolis Community Development Agency
\$22,225,000
Limited Tax Supported Development Revenue Bonds,
Common Bond Fund Series 201G-3

Dated: October 1, 2001

Due: December 1, as shown below

The Bonds are being issued by the Minneapolis Community Development Agency under the Common Bond Fund structure described herein. The Bonds are payable from Common Bond Fund B of the Agency. The Bonds, together with any other Common Bond Fund B Bonds issued on a parity therewith, are payable primarily from and are secured by a pledge of certain Net Revenues and other amounts required to be deposited in the Common Bond Fund B of the Agency as more fully described herein. Common Bond Fund B is held by Wells Fargo Bank Minnesota, National Association, as Trustee. **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AGENCY, THE CITY OF MINNEAPOLIS OR ANY OTHER POLITICAL SUBDIVISION AND ARE NOT PAYABLE FROM ANY TAXING SOURCE, EXCEPT FROM AMOUNTS ON DEPOSIT IN THE TAX RESERVE FUND WHICH MAY FROM TIME TO TIME BE FUNDED THROUGH A LIMITED PROPERTY TAX PURSUANT TO THE TAX PLEDGE AND RESERVE ORDINANCE DESCRIBED HEREIN, WHICH AMOUNTS MAY NOT BE SUFFICIENT TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS.**

Interest will be payable commencing December 1, 2001 and each June 1 and December 1 thereafter for the term of the issue. The Bonds will be in book-entry form only through the book-entry system maintained by The Depository Trust Company and its Participants. See "THE BONDS."

MATURITY SCHEDULE

\$ 5,365,000 5.35% Term Bonds due December 1, 2021 - Price 100%
\$16,860,000 5.45% Term Bonds due December 1, 2031 - Price 100%

(plus accrued interest from October 1, 2001)

The Bonds are subject to redemption prior to maturity as described herein under the caption "THE BONDS — Redemption Prior to Maturity."

The Bonds are offered, subject to prior sale, when, as and if issued by the Agency and accepted by Dain Rauscher Incorporated and U.S. Bancorp Piper Jaffray Inc., as Underwriters, subject to the approval of validity and certain other matters by Gray, Plant, Mooty, Mooty & Bennett, P.A., Bond Counsel, and certain other conditions (see the captions "UNDERWRITING" and "LEGAL MATTERS" herein). Dougherty & Company, LLC is serving as financial advisor to the Agency in connection with the Bonds. It is expected that delivery of the Bonds will be made through the facilities of The Depository Trust Company on or about October 18, 2001 in Minneapolis, Minnesota against payment therefor.

Dain Rauscher Incorporated

U.S. Bancorp Piper Jaffray Inc.

The date of this Official Statement is October 15, 2001

No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Agency or the Underwriters. The information set forth or included in this Official Statement has been provided by the Agency and from other sources believed by the Agency to be reliable. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered in any state to any person to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Agency since the date hereof.

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THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

INTRODUCTORY STATEMENT

(Certain capitalized terms used herein are defined in Appendix E hereto.)

This Official Statement is furnished in connection with the offering of a series of bonds of the Minneapolis Community Development Agency (the "Agency") designated as \$22,225,000 Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2001G-3 (the "Bonds"). The Bonds are being issued by the Agency pursuant to (i) Chapter 595, Minnesota Laws of 1980, as amended, Ordinance No. 81-Or-017 and No. 86-Or-035 of the City of Minneapolis (the "City"), as amended, and Minnesota Statutes, Section 469.152 et. seq., as amended (the "Act"), (ii) the Basic Resolution and Indenture adopted by the Agency on April 24, 1992, as amended (the "Basic Resolution B"), (iii) the General Agency Reserve Resolution adopted by the Agency on December 15, 1982, as amended (the "General Agency Reserve Resolution"), (iv) the Amended and Restated Supplemental General Agency Reserve Resolution adopted by the Agency on April 24, 1992 (the "Supplemental General Agency Reserve Resolution") and (v) a Supplemental Bond Resolution and Indenture adopted by the Agency with respect to the Bonds on September 14, 2001 (the "Supplemental Bond Resolution").

This Official Statement is deemed to be a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

This Introductory Statement contains only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This Official Statement should be reviewed in its entirety.

This Official Statement speaks only as of its date, and the information herein is subject to change.

The Bonds are being offered pursuant to the terms and conditions of an Underwriting Agreement between the Agency and the Underwriters and are issued for the purpose of renovating the historic Mann Theatre in downtown Minneapolis which is owned by the Agency (the "Project") and refunding certain obligations of the Agency issued to finance another theater owned by the Agency, including the Agency's Common Fund Bonds, Series 1992G-3. Subject to certain limitations, the Agency has agreed to provide amounts sufficient to pay principal and interest on the Bonds when due. See "PROJECT DESCRIPTION AND SOURCE AND APPLICATION OF FUNDS" herein.

The Agency's Common Bond Fund Program involves two separate Common Bond Funds, both of which are secured by the Agency Subaccount of the IDB Account and the Letter of Credit as more fully described herein. The original Common Bond Fund, referred to herein as "Common Bond Fund A", was created pursuant to a Basic Resolution and Indenture adopted by the Agency on December 15, 1982, as amended ("Basic Resolution A"). All presently outstanding Common Fund Bonds of the Agency are secured by Basic Resolution A, except the Bonds, two series of Common Fund B Bonds referred to in the following paragraph and any other Common Fund B Bonds which may be hereafter issued. All Common Fund Bonds issued under Basic Resolution A, together with other Common Fund Bonds hereafter issued pursuant to Basic Resolution A, are herein referred to as "Common Fund A Bonds".

Basic Resolution B, under which the Bonds are being issued, is in form virtually identical to Basic Resolution A. It creates an additional Common Bond Fund referred to herein as "Common Bond Fund B". The Agency's objective in adopting Basic Resolution B was to create a vehicle for issuing obligations for governmental purposes and obligations on behalf of 501(c)(3) organizations. Obligations issued under Basic Resolution B have substantially the same ultimate security provided by the Agency Subaccount of the IDB Account and the Letter of Credit without being subject to certain federal income tax restrictions which apply to obligations issued under Basic Resolution A because of the payments by private business users supporting the Common Fund A Bonds. The two series of obligations issued under Basic Resolution B are referred to herein as "Common Fund B Bonds". As used herein, the term "Common Fund Bonds" refers to both Common Fund A Bonds and Common Fund B Bonds.

Although both Common Fund A Bonds and Common Fund B Bonds have ultimate recourse to the Agency Subaccount of the IDB Account, currently valued at approximately \$19,205,000, and the \$10 million Letter of Credit, only the Common Fund A Bonds have ultimate recourse to the A Subaccount of the IDB Account, currently

valued at approximately \$7,627,000, and only the Common Fund B Bonds have ultimate recourse to the B Subaccount of the IDB Account, currently valued at approximately \$800,000. In addition, Common Fund A Bonds have no recourse to the funds and accounts established under Basic Resolution B and Common Fund B Bonds have no recourse to the funds and accounts under Basic Resolution A. Amounts in the Agency Subaccount may be used to maintain or restore the respective Common Reserve Accounts under Common Bond Fund A and Common Bond Fund B at the applicable Common Reserve Requirements only to the extent, following any such maintenance or restoration, the amount in the Agency Subaccount is not less than \$5 million.

The Bonds and any other Common Fund B Bonds hereafter issued under Basic Resolution B on a parity therewith are payable primarily from Common Bond Fund B. Common Bond Fund B contains certain Reserve Deposits and will also contain rent payments and loan repayments (the "Net Revenues") derived from either leases or loan agreements (the "Revenue Agreements") entered into by the Agency with tenants or borrowers ("Contracting Parties") in connection with facilities financed by Common Fund B Bonds. The Bonds and all other Common Fund B Bonds are also secured by any deposits or accumulations in the secondary reserve constituting the B Subaccount of the IDB Account of the General Agency Reserve created by the General Agency Reserve Resolution. All Common Fund Bonds are secured by the Agency Subaccount of the IDB Account and by an Irrevocable Letter of Credit in the amount of \$10,000,000 (the "Letter of Credit"), currently scheduled to expire on July 19, 2006, subject to reduction and extension as described herein, issued by U.S. Bank National Association (the "Bank"). The Agency may substitute for the Letter of Credit a subsequent Letter of Credit issued by another bank or financial institution on the conditions described herein. See "SECURITY FOR THE BONDS" and APPENDIX D.

For a description of the outstanding series of Common Fund Bonds secured by the Agency Subaccount of the IDB Account and the Letter of Credit, see "THE AGENCY AND THE COMMON BOND FUND PROGRAM — Outstanding Common Fund Bonds".

In addition to the security provided by Common Bond Fund B, the City has pledged to the payment of the Bonds and any other designated Common Fund Bonds any amounts on deposit from time to time in the Tax Reserve Fund established pursuant to an ordinance of the City Council adopted May 22, 1987, as amended (the "Tax Pledge and Reserve Ordinance"). Under the Tax Pledge and Reserve Ordinance, in the event the Agency Subaccount and B Subaccount of the IDB Account shall for any reason become depleted, the City is required to annually levy and collect taxes on all taxable property in the City of up to one-half of one percent of the tax capacity of the City for the benefit of the Bonds and other designated Common Fund Bonds heretofore or hereafter issued until the amount in the Tax Reserve Fund equals the Tax Reserve Requirement. See "TAX PLEDGE AND RESERVE ORDINANCE" herein.

This Official Statement contains descriptions of the Bonds, the Basic Resolutions, the General Agency Reserve Resolution, the Supplemental General Agency Reserve Resolution, the Supplemental Bond Resolution, the Letter of Credit, the Tax Pledge and Reserve Ordinance and the Agency. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Basic Resolutions, the General Agency Reserve Resolution, the Supplemental General Agency Reserve Resolution, the Supplemental Bond Resolution, the Tax Pledge and Reserve Ordinance and the Letter of Credit are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Supplemental Bond Resolution. Copies of the documents referred to in this Official Statement are available for inspection during the period of this offering at the offices of the Underwriters and thereafter at the office of the Agency. EXCEPT TO SUPPLY THE INFORMATION CONTAINED IN APPENDIX C HERETO, U.S. BANK NATIONAL ASSOCIATION DID NOT PARTICIPATE IN THE PREPARATION OR REVIEW OF THE CONTENTS OF THIS OFFICIAL STATEMENT AND ACCEPTS NO RESPONSIBILITY THEREFOR. The Agency official able to furnish basic documents and answer questions about this Official Statement or who can direct inquiries to the appropriate responsible parties is Mr. Robert Lind, Manager, Business Finance Department, Minneapolis Community Development Agency, 200 Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota 55401, Telephone (612) 673-5068.

The Agency has agreed to provide certain information with respect to the Bonds and the Common Bond Fund Program as described under the heading "CONTINUING DISCLOSURE" herein.

RISK FACTORS AND OTHER CONSIDERATIONS

1. *Unknown Future Contracting Parties.* Because the Agency expects to issue additional Common Fund Bonds in the future, no assurance can be provided as to the creditworthiness of future Contracting Parties obligated under the Revenue Agreements supporting the Common Fund Bonds. While the Agency expects to investigate the creditworthiness of potential Contracting Parties, the Agency has not adopted formal standards for evaluating creditworthiness. Review and investigation by the Agency does not constitute a representation or guaranty that Contracting Parties will be able to make the payments required by the Revenue Agreements. In the case of Common Fund B Bonds which do not involve Revenue Agreements or Contracting Parties, the project revenues or other governmental revenue sources have not been identified. The Agency intends to maintain a diversity of Facilities financed with Common Fund Bonds, however it has not established formal standards or guidelines with respect thereto.

2. *Diversity.* Of the presently outstanding \$64,530,000 principal amount of Common Fund Bonds, \$5,155,000 relate to Facilities primarily involving office and other commercial real estate loans to developers and others, \$6,270,000 relates to an automobile parking facility, \$2,670,000 involves a nursing home, \$2,420,000 involves primarily multifamily rental housing, \$6,585,000 (to be refunded with proceeds of the Bonds) involves a theater and the remaining \$41,430,000 relate to Facilities of a manufacturing or wholesale nature.

3. *Growth of IDB Account.* The amounts currently on deposit in the Agency Subaccount of the IDB Account are approximately \$19.2 million as a result of investment earnings on an initial \$5 million deposit to the IDB Account in 1982 and other deposits. It is unlikely that the Agency Subaccount of the IDB Account will continue to grow at that rate. The continued growth of the Agency Subaccount of the IDB Account will be affected by the rate of investment earnings, the extent to which it may be drawn if necessary to cover deficiencies and the extent to which arbitrage earnings are required to be rebated to the United States government. Amounts on deposit in the IDB Account in excess of required balances may be withdrawn. See "THE BASIC RESOLUTION" herein.

4. *Limited Tax Support.* The City's pledge to support certain Common Fund Bonds, including the Bonds, is limited to a levy of one-half of one percent of tax capacity which, under the current tax capacity of the City, would result in estimated tax revenues of approximately \$1.2 million each year. The availability of such tax revenues to pay debt service on the Bonds will depend on the amount of Common Fund Bonds issued in the future which receive the benefit of this pledge and the growth of the City's tax base. No predictions are made as to either. However, it is likely that the amount of Common Fund Bonds entitled to the limited tax support will grow at a substantially greater rate than the City's tax base, thereby reducing the portion of tax revenues available to pay debt service of any particular series of Common Fund Bonds. See "TAX PLEDGE AND RESERVE ORDINANCE" herein.

5. *Defaults.* The Agency has experienced defaults by Contracting Parties under Revenue Agreements. The Agency has discretion in determining the remedies it will exercise in connection with a default. In some cases the Agency has utilized its own financial and other resources in connection with defaults under Revenue Agreements. The Agency, however, has no contractual obligation to use any of its own funds (other than reserves which are part of the Common Bond Funds and certain recent tax increment pledges) in connection with any Facility and, in cases where Agency funds have been used, there is no assurance that such use will continue. For a description of the status of certain Revenue Agreements and commitments of the Agency, see "DEFAULTS AND REAL ESTATE OWNED" and "REVENUES AND REVENUE AGREEMENTS OF AGENCY" herein.

6. *Absence of Acceleration Remedy.* The remedies available to the holders of Common Fund Bonds do not include a right of acceleration in the event of a default or the right to draw on the IDB Account or Letter of Credit. Accordingly, in the event of revenue shortfalls, the IDB Account and other reserves may be exhausted prior to the due date of principal on certain of the later maturing Common Fund Bonds.

THE AGENCY AND THE COMMON BOND FUND PROGRAM

The Minneapolis Community Development Agency is a governmental subdivision under the laws of Minnesota. Under Minnesota Laws 1980, Chapter 595, as amended, the Agency has, among other powers, authority to exercise the powers of a housing and redevelopment authority (except public housing) and the powers of a port authority under Chapter 469, Minnesota Statutes. The 13 members of the City Council serve as the Board of Commissioners, the Agency's governing body. Jim Niland is Chair of the Board of Commissioners. Its offices are located at 200 Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota.

Members of the MCDA Board of Commissioners are:

Jim Niland, Chair	Sandra Colvin Roy
Joan M. Campbell	Kathy Thurber
Joe Biernat	Lisa McDonald
Barbara Johnson	S. Dore Mead
Jackie Cherryhomes	Lisa Goodman
Paul Ostrow	Barret Lane

There is one vacancy.

The Agency has adopted the Basic Resolutions, the General Agency Reserve Resolution and the Supplemental General Agency Reserve Resolution and obtained the Letter of Credit. The Basic Resolutions, (a) combine the debt service payments by the various Contracting Parties on behalf of whom Common Fund Bonds are issued (or other revenues in the case of Common Bond Fund B) into a consolidated Debt Service Account within either Common Bond Fund A or Common Bond Fund B from which the Common Fund A Bonds or Common Fund B Bonds are payable, (b) create a Common Reserve Account within each Common Bond Fund to be maintained as security for all Common Fund A Bonds or Common Fund B Bonds, as the case may be, in an amount which, together with letters of credit approved by the Agency, equal at least the amount of the lesser of (i) the maximum principal and interest due in any year on each series of Common Fund Bonds or (ii) in the case of Common Fund A Bonds, 15% of the net proceeds of the series. The other documents create a mechanism for accumulating back-up reserves for such Common Fund Bonds through the IDB Account of the separate General Agency Reserve. So long as the Ratio Requirement described herein is being met, seventy-five percent of any Available Surplus in each Common Bond Fund at the end of each year (subject to the rebate requirement of Excess Earnings to the United States Government for tax exempt Common Fund Bonds issued after January 1, 1985), consisting primarily of earnings on amounts in the Debt Service Account in that Common Bond Fund, is required to be deposited in the A Subaccount or B Subaccount of the IDB Account of the General Agency Reserve for the purpose of increasing the amount of the back-up reserve for Common Fund A Bonds or Common Fund B Bonds, as the case may be. By resolution adopted September 21, 1983, the Agency deposited \$5,000,000 in the IDB Account. Those funds, earnings thereon and certain other amounts are currently represented by the approximately \$19.2 million currently on deposit in the Agency Subaccount of the IDB Account. The Letter of Credit may be terminated or reduced as reserves in the IDB Account reach specified levels, and in any event will expire on July 19, 2006, unless extended. On May 22, 1987 the City Council adopted the Tax Pledge and Reserve Ordinance in order to provide additional credit support for designated Common Fund Bonds. It is expected that most future issues of Common Fund Bonds will be additionally secured by the Tax Pledge and Reserve Ordinance. The Agency intends that the availability of revenue bond financing under this system will, in the case of industrial and commercial projects, help expand employment opportunities in the City and increase the tax base of the City through the encouragement of industrial and commercial development, and, in the case of housing projects, increase the supply of affordable housing.

While there is no assurance that any future Common Fund Bonds will be issued under either Basic Resolution payable from one of the Common Bond Funds, or additionally secured by the Tax Reserve Fund under the Tax Pledge and Reserve Ordinance, the Agency anticipates that a substantial number of projects will be financed under this system rather than as separate issues of the City. The general level of industrial revenue bond financing in the City is dependent on and could be affected by a number of factors, including local and national economic conditions and state and federal legislation relating to private activity bond financing. The degree to which the Common Bond Funds and Tax Reserve Fund are utilized will also depend on a number of factors, including the

availability of alternative financing, relative interest and financing costs and the security of the Common Bond Funds.

Administrative Staff

The administrative staff of the Agency responsible for administration of the Common Bond Fund Program includes the following:

<u>Name</u>	<u>Position</u>
Steve Cramer	Executive Director
Robert E. Lind	Manager, Business Finance Department
Charles R. Curtis	Financial Analyst II/Common Bond Fund
Willie F. Adams	Financial Analyst II/Common Bond Fund

Finance Officer

The Finance Officer of the City of Minneapolis serves as Finance Officer of the Agency.

Outstanding Common Fund Bonds

The following is a summary of the outstanding Common Fund Bonds of the Agency. Certain information relating to the Contracting Parties for such issues is set forth in APPENDIX B hereto.

Schedule of Outstanding Common Fund A Bonds

<u>Issue Series(3)</u>	<u>Obligor(1)</u>	<u>Maximum Annual Interest Rate</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Original Principal</u>	<u>Outstanding Principal</u>
1986-2	Winslow Printing	7.50 %	12-1-86	12-1-06	1,900,000	855,000
1987-2	Shaw Acquisition Corporation	10.40 %	07-1-87	12-1-07	945,000	560,000
1987-4	7-Sigma, Inc.	9.00 %	09-1-87	12-1-12	915,000	665,000
1988-1	Tiro Industries, Inc.	8.75 %	09-1-88	12-1-17	3,750,000	3,120,000
1989-2	R & S Litho, Inc.	8.00 %	12-1-89	12-1-09	1,700,000	1,070,000
1989-3	Bolger Publications, Inc.	8.00 %	12-1-89	12-1-02	2,100,000	435,000
1990-2	Hirshfield's Inc.	10.50 %	06-1-90	12-1-15	700,000	595,000
1990-3A	Engineering Unlimited, Inc.	8.375%	08-1-90	12-1-19	600,000	600,000
1990-3B	Engineering Unlimited, Inc.	10.50 %	09-1-90	12-1-04	155,000	70,000
1990-4	The Lakes Limited Partnership	10.35 %	09-1-90	12-1-10	3,825,000	2,780,000
1991-2	BDC Properties Co.	10.75 %	06-1-91	12-1-16	1,170,000	1,040,000
1991-3	Caswell International, Inc.	8.25 %	07-1-91	12-1-11	2,300,000	1,710,000
1991-4	Opportunity Workshop, Inc.	7.95 %	08-1-91	12-1-11	1,325,000	950,000
1992-2A	Diversified Graphics	7.125%	06-1-92	12-1-04	1,075,000	515,000
1992-2B	Diversified Graphics	7.25 %	06-1-92	12-1-05	215,000	215,000
1992-2C	Diversified Graphics	10.00 %	06-1-92	12-1-07	370,000	370,000
1993-3	Northern Cap Manufacturing Co.	6.375%	10-1-93	06-1-14	1,350,000	1,040,000
1993-4	Precision Tapes, Inc.	6.50 %	11-1-93	06-1-13	2,100,000	1,210,000
1993-5	Winslow Printing	6.125%	12-1-93	12-1-06	2,200,000	1,210,000
1994-1	Wanner Engineering	6.75 %	11-1-94	12-1-04	1,380,000	640,000
1995-2	Nico Products, Inc.	6.80 %	07-1-95	12-1-24	4,650,000	4,080,000
1996-1	Carlson Holdings, Inc.	6.80 %	03-1-96	06-1-11	8,370,000	6,270,000
1997-1	Halper Box	6.15 %	04-1-97	06-1-17	2,400,000	2,115,000
1997-2	Ambassador Press	6.20 %	05-1-97	06-1-17	4,600,000	3,780,000
1997-3	Shaw Acquisition Corporation	5.40 %	04-1-97	06-1-05	1,365,000	700,000
1997-4	Baker Bearing and Siewart Cabinet	6.20 %	05-1-97	06-1-17	2,900,000	2,545,000
1997-5	Laurel Village Alden Limited Partnership	5.50 %	10-1-97	12-1-28	2,515,000	2,420,000
1997-7A	100 E. 22d Associates, L.L.P.	5.50 %	10-1-97	6-1-12	2,820,000	2,445,000
1998-1	Cord-Sets, Inc.	5.50 %	3-1-98	6-1-18	1,500,000	1,370,000
1998-2A	Northern Cap Manufacturing Co.	5.25 %	9-1-98	6-1-19	1,200,000	1,200,000
1998-2B	Northern Cap Manufacturing Co.	6.50 %	9-1-98	6-1-08	500,000	380,000
1999-1A	Discount Steel, Inc.	5.25%	4-1-99	6-1-19	1,900,000	1,900,000
1999-1B	Discount Steel, Inc.	6.75%	4-1-99	6-1-09	1,000,000	870,000
2000-1	Pajor Graphics, Inc.	6.75%	3-1-00	12-1-20	1,505,000	1,505,000
2001-2A	Elmer Enterprises	5.875%	4-1-01	6-1-19	2,340,000	2,340,000
2001-2B	Elmer Enterprises	5.625%	4-1-01	6-1-02	55,000	55,000
				Subtotal	\$69,695,000	\$53,625,000

Schedule of Outstanding Common Fund B Bonds

Issue Series	Obligor(1)	Maximum Annual Interest Rate	Date Issued	Final Maturity Date	Original Principal	Outstanding Principal
1992G-3	MCDA(2)	7.375%	11-1-92	12-1-12	8,600,000	6,585,000
2000G-2	RESOURCE, Inc.	6.00%	08-1-00	12-1-20	1,650,000	1,650,000
2001G-1	Stevens Square	5.75%	04-1-01	12-1-19	<u>2,670,000</u>	<u>2,670,000</u>
Subtotal					<u>\$ 12,920,00</u>	<u>\$ 10,905,000</u>
Total of All Common Fund Bonds					<u>\$82,615,000</u>	<u>\$64,530,000</u>

- (1) In certain cases, proceeds of a series are loaned or otherwise made available to another entity, but the obligor is the expected credit for Basic Payments as a result of leases or guaranties.
- (2) To be refunded with proceeds of the Bonds.
- (3) Does not include outstanding Common Fund Bonds for which an irrevocable defeasance escrow has been established.

THE BONDS

Terms of the Bonds

The Bonds will be dated October 1, 2001 and will bear interest from that date payable semiannually on June 1 and December 1 of each year, commencing December 1, 2001. The Bonds will mature on the dates and in the amounts and will bear interest at the rates per annum according to date of maturity as set forth on the cover page of this Official Statement.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as the securities depository for the Bonds. The Bonds will be fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee), with one Bond certificate issues for all Bonds of the same maturity.

DTC is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest repayments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Repayments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Depositor, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such Repayments to Direct Participants shall be the responsibility of DTC, and the disbursement of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Redemption Prior to Maturity

Mandatory Sinking Fund Redemption. The Bonds having stated maturities of December 1, 2021 and December 1, 2031 are subject to mandatory redemption through operation of the Sinking Fund provided for in the Supplemental Bond Resolution at par plus accrued interest on December 1 in the years and in the amounts as follows:

2021 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2010	\$ 125,000	2016	\$ 505,000
2011	130,000	2017	535,000
2012	140,000	2018	565,000
2013	295,000	2019	770,000
2014	310,000	2020	810,000
2015	330,000	2021*	850,000

2031 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2022	\$ 1,090,000	2027	\$ 1,645,000
2023	1,150,000	2028	1,955,000
2024	1,210,000	2029	2,065,000
2025	1,480,000	2030	2,175,000
2026	1,560,000	2031*	2,530,000

*Final maturity

Optional Redemption. The Bonds maturing on or after December 1, 2012 are subject to redemption prior to maturity, at the option of the Agency, on December 1, 2011, and on any interest payment date thereafter in whole or in part, by lot, integral multiples of \$5,000. Any such redemption will be at the redemption price of par plus accrued interest to the redemption date.

Extraordinary Optional Redemption. The Bonds may be redeemed by the Agency on any date, in whole but not in part, at par plus accrued interest to the redemption date, upon the occurrence of certain events of casualty, condemnation of the theaters owned by the Agency and certain changes in law or legal actions as provided in the Supplemental Bond Resolution.

Taxability Redemption. The Bonds shall be redeemed prior to maturity in whole not in part, if interest on the Bonds has become includable in gross income for Federal income tax purposes, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Notice of Redemption. Notice of redemption will be given to the registered owners of Bonds at their addresses as they appear in the Bond Register at least 30 and no more than 60 days before redemption. If notice of redemption has been duly given, the Bonds or portions thereof specified in said notice will become due and payable on the redemption date therein designated, and if moneys for the payment of the redemption price of all the Bonds to be redeemed are deposited with the Paying Agent, then such Bonds shall cease to bear interest after the redemption date.

Selection of Bonds for Redemption. If less than all outstanding Bonds are to be redeemed, the Bonds within a maturity and portions of Bonds in a face amount of more than \$5,000 which are to be redeemed shall be determined by the Trustee under the random method described in the Supplemental Bond Resolution.

SECURITY FOR THE BONDS

General Description

The Common Fund Bonds (which include the Bonds) are secured by two related systems of pooled debt service and reserve accounts described herein depending on whether they are issued as Common Fund A Bonds or Common Fund B Bonds. They do not constitute an indebtedness of the Agency or the City within the meaning of any constitutional or statutory limitation and neither constitute nor give rise to a charge against the general credit or taxing powers of the Agency or the City; and neither the full faith and credit nor the taxing powers of the Agency or the City are pledged to the payment of the Common Fund Bonds or interest thereon.

Common Fund A Bonds and Common Fund B Bonds are payable from and shall be secured by the following as applicable:

- (a) primarily from any amounts on deposit in the Debt Service Account of the applicable Common Bond Fund;
- (b) second, from any amounts in the Deficiency Account of the applicable Common Bond Fund;
- (c) third, from any amounts in the Administrative Fee Account of the applicable Common Bond Fund;
- (d) fourth, from any amounts in the Common Reserve Account of the applicable Common Bond Fund;
- (e) fifth, from any amounts in the A Subaccount (in the case of Common Fund A Bonds) or B Subaccount (in the case of Common Fund B Bonds) of the IDB Account of the General Agency Reserve;
- (f) sixth, as to all Common Fund Bonds, from any amounts in the Agency Subaccount of the IDB Account of the General Agency Reserve;
- (g) seventh, as to all Common Fund Bonds, from other available funds of the Agency to the extent the Agency so elects in its sole discretion; and
- (h) eighth, as to all Common Fund Bonds, from draws made under the Letter of Credit.

The Bonds, and other designated series of Common Fund Bonds, are additionally secured by any amounts on deposit in the Tax Reserve Fund which may be funded pursuant to the Tax Pledge and Reserve Ordinance. In the event of depletion of the Agency Subaccount and the A Subaccount or B Subaccount of the IDB Account, the City is required under the Tax Pledge and Reserve Ordinance to levy up to one-half of one percent of the tax capacity of the City for the benefit of the holders of the Bonds and any prior and future series of Common Fund Bonds secured by the Tax Reserve Fund, until the amount in the Tax Reserve Fund equals the Tax Reserve Requirement. See "TAX PLEDGE AND RESERVE ORDINANCE" herein.

In the event that the balance in either Common Bond Fund is at any time insufficient to pay all principal of, premium, if any, and interest then due on Common Fund A Bonds or Common Fund B Bonds, as the case may be, the Agency shall apply the balance first to pay pro rata the interest then due on all such Common Fund Bonds and all rights arising from subrogation rights of sureties to receive interest on such bonds, and the Agency shall apply

any remaining balance first to the pro rata payment of principal of the then matured (but unaccelerated) Common Fund A Bonds or Common Fund B Bonds, as the case may be, and all rights arising from subrogation rights of sureties to receive such principal, and then to the payment of all other Surety Rights, principal due on such Common Fund Bonds and other items payable from such Common Bond Fund.

Debt Service Account - Net Revenues

The Debt Service Account of the applicable Common Bond Fund is the first account drawn on for payment of the principal of, premium, if any, and interest on Common Fund Bonds of the related Common Bond Fund. The Debt Service Account primarily contains Net Revenues from all facilities financed by such Common Fund Bonds (the "Facilities") and earnings thereon. Net Revenues with respect to a particular Facility (not operated by the Agency or an operator, discussed below) generally consist of payments required to be made under the applicable Revenue Agreement (either a lease or loan agreement) by a party owning or leasing such Facility (a "Contracting Party"), which payments, if collected when due, would be sufficient to pay interest and principal due on the Common Fund Bonds financing such Facility. If the Agency or an operator who is not a Contracting Party operates a Facility (expected to occur in the case of governmental obligations issued as Common Fund B Bonds under Common Bond Fund B or otherwise upon a default under the related Revenue Agreement), Net Revenues generally consist of revenues received by the Agency from operating the Facility in excess of operating costs for such Facility, or other amounts appropriated by the Agency in its discretion from other available sources. All Net Revenues will be commingled in the Debt Service Account for the benefit and payment of such Common Fund Bonds. Contracting Parties will receive credit against their last payments of Net Revenues under their respective Revenue Agreements to the extent of amounts they have deposited as Reserve Deposits in the Common Reserve Account of the applicable Common Bond Fund. Contracting Parties will also receive credit against other Net Revenues otherwise payable by them under their respective Revenue Agreements to the extent amounts have been deposited as Prepaid Net Revenues, Collateral Proceeds and Retained Funds (all discussed below). The foregoing credit will be available to the applicable Contracting Parties even though the amounts deposited as Reserve Deposits, Prepaid Net Revenues, Collateral Proceeds or Retained Funds have been previously applied to the payment of Common Fund Bonds of a series not related to such funds, in which case at the time of such crediting funds deposited into the Debt Service Account may not be sufficient to pay all amounts due on all Common Fund Bonds payable from such Common Bond Fund. Earnings on funds in the Debt Service Account, other than earnings subject to rebate to the United States Government for compliance with Section 148 of the Code ("Excess Earnings"), will be credited to such account, subject to withdrawals.

Deficiency Account

On December 31 of each year amounts in the Debt Service Account of each Common Bond Fund (other than a reasonable carryover not to exceed one-twelfth of annual debt service on all Common Fund Bonds payable from such Common Bond Fund) and earnings in the Common Reserve Account of such Common Bond Fund not needed to maintain the Common Reserve Requirement or otherwise credited to a Contracting Party as provided in the applicable Revenue Agreement are transferred to the Deficiency Account of such Common Bond Fund. Amounts in the Deficiency Account may be withdrawn after exhaustion of the Debt Service Account for any purpose for which amounts may be withdrawn from the Debt Service Account.

Amounts in the Deficiency Account which constitute Available Surplus will be transferred either to the A Subaccount or B Subaccount, as applicable, of the IDB Account in the General Agency Reserve or for other purposes of the Agency, as discussed below. Available Surplus is essentially all funds in a Common Bond Fund in excess of the Common Reserve Requirement for such Common Bond Fund (all Reserve Deposits, Prepaid Net Revenues, Collateral Proceeds and Retained Funds deposited in such Common Reserve Account for payment or purchase of Common Fund Bonds payable from such Common Bond Fund) and the Projected Debt Service Deficiency (generally, the excess of amounts expected to be withdrawn from such Common Bond Fund over amounts expected to be deposited therein). See "THE BASIC RESOLUTIONS - Common Bond Fund" herein.

Administrative Fee Account

The Agency generally charges Contracting Parties administrative fees which are deposited in the Administrative Fee Account of the applicable Common Bond Fund. If amounts on deposit in the Debt Service Account and Deficiency Account are insufficient to pay debt service on Common Fund Bonds payable from such Common Bond Fund and other amounts payable from the Debt Service Account when due, any amounts then on deposit in the Administrative Fee Account may be applied to such purposes. See “THE BASIC RESOLUTIONS - Common Bond Fund” herein.

Common Reserve Account

If amounts on deposit in the Debt Service Account, Deficiency Account and Administrative Fee Account of either Common Bond Fund are insufficient to pay the required amounts of principal, premium, if any, and interest when due on any Common Fund Bonds payable from such Common Bond Fund and other amounts payable from the Debt Service Account therein, such payments are then required to be made from amounts on deposit in the Common Reserve Account of such Common Bond Fund. The Common Reserve Account will hold in separate subaccounts with respect to each series of Common Fund Bonds payable from such Common Bond Fund, the related Reserve Deposit (which will be either cash deposited at bond closing or a letter of credit covering the Minimum Deposit) and certain other funds, including Prepaid Net Revenues, Collateral Proceeds and Retained Funds. As explained below, funds are transferable from the IDB Account to maintain the Common Reserve Account at the Common Reserve Requirement for that Common Bond Fund, which in general is the sum of all Reserve Deposits for all outstanding Common Fund Bonds payable from such Common Bond Fund, together with all Collateral Proceeds, Prepaid Net Revenues and Retained Funds which have not been credited against Net Revenues due from Contracting Parties or to purchase, prepay or redeem Common Fund Bonds payable from such Common Bond Fund. Currently, approximately \$7,123,000 (including letters of credit) is on deposit in the Common Reserve Account under Basic Resolution A and approximately \$1,224,000 (including letters of credit) is on deposit in the Common Reserve Account under Basic Resolution B. See “THE BASIC RESOLUTIONS - Common Bond Fund” herein.

IDB Account of the General Agency Reserve

If the amounts on deposit in the Debt Service Account, Deficiency Account, Administrative Fee Account and Common Reserve Account of either Common Bond Fund are insufficient to pay the principal, premium, if any, and interest on Common Fund Bonds of any series payable from such Common Bond Fund and other amounts payable from the Debt Service Account therein when due, or if the Common Reserve Account is below the applicable Common Reserve Requirement, amounts sufficient to make such payments and to restore the Common Reserve Account to the level of the applicable Common Reserve Requirement are then required to be transferred from the IDB Account, first from the A Subaccount or B Subaccount, as applicable, and second from the Agency Subaccount therein. In that event any funds held in the IDB Account shall be transferred, first, to the Debt Service Account to the extent necessary for such debt service payment, and second, to the Common Reserve Account to the extent necessary to restore the applicable Common Reserve Requirement; provided, however, that amounts in the Agency Subaccount may be used to maintain or restore the respective Common Reserve Accounts under Common Bond Fund A and Common Bond Fund B at the applicable Common Reserve Requirements only to the extent, following any such maintenance or restoration, the amount in the Agency Subaccount is not less than \$5 million. Currently, the Agency Subaccount of the IDB Account contains approximately \$19.2 million. Currently, the A Subaccount of the IDB Account, which secures the Common Fund A Bonds, contains approximately \$7,618,000 and the B Subaccount, which secures the Common Fund B Bonds, has approximately \$805,000. As provided for in the Basic Resolutions, the A Subaccount and B Subaccount, as applicable, of the IDB Account are required to be additionally funded from seventy-five percent (75%) of any Available Surplus (or 100% of Available Surplus if the Ratio Requirement is not then met) at the end of each calendar year (after making any transfers necessary to restore the applicable Common Reserve Requirement and to restore the applicable Subaccount of the IDB Account to the extent of transfers previously made therefrom which have not been previously repaid). If the Ratio Requirement is met, the remaining twenty-five percent (25%) of such Available Surplus may be transferred to the General Agency Reserve Account in the General Agency Reserve for any proper purpose as the Agency shall from time to time determine and is not pledged to the payment of Common Fund Bonds. If cash and investments (valued at market)

held in the B Subaccount and Agency Subaccount of the IDB Account exceed \$10,000,000, the Agency may, in its discretion, withdraw such excess for any purpose, provided that the Letter of Credit has a remaining term of at least five years. Pursuant to Basic Resolution B, if the Letter of Credit has not been extended at least five years prior to expiration, earnings on the B Subaccount and Agency Subaccount of the IDB Account are retained therein until the combined balances of the B Subaccount and Agency Subaccount of the IDB Account are at least \$20,000,000 or the Letter of Credit is extended for the necessary period. The amount by which the B Subaccount and Agency Subaccount in the IDB Account accumulate will depend upon several factors, including the amount of interest earnings on deposits in the IDB Account, the volume of Common Fund Bonds issued, the Agency's experience with defaults under Revenue Agreements and amounts which the Agency withdraws in excess of \$10,000,000 (\$20,000,000 in the absence of appropriate extensions of the Letter of Credit). See "SUPPLEMENTAL GENERAL AGENCY RESERVE" herein.

Letter of Credit

In the event that the amount of funds available in a Common Bond Fund and the applicable subaccounts of the IDB Account are insufficient to pay principal and interest on the Common Fund Bonds payable from such Common Bond Fund when due, the Trustee is required to make a draw under the Letter of Credit in an amount sufficient to make such payments; such draws to be deposited into the applicable Debt Service Account. In addition the Letter of Credit may be drawn upon in full, with the proceeds of such draw deposited in the Agency Subaccount of the IDB Account if the Letter of Credit has not been renewed or extended or if a Substitute Letter of Credit has not otherwise been delivered prior to the date of expiration of the Letter of Credit. The Letter of Credit expires on July 19, 2006, but, at two-year intervals, the Bank has the option of extending the expiration date of the Letter of Credit for an additional 2-year term. The maximum amount available to be drawn under the Letter of Credit is \$10,000,000. However, the Agency may cause the Trustee to irrevocably reduce the amount available to be drawn under the Letter of Credit or may otherwise terminate the Letter of Credit at any time; provided that, after giving effect to such termination or reduction, funds on deposit in the applicable subaccounts of the IDB Account together with amounts, if any, available to be drawn under the Letter of Credit equal not less than \$10,000,000. Pursuant to the Supplemental Bond Resolution, the Agency has covenanted to cause the Letter of Credit to be renewed or otherwise extended so that there shall at all times be not less than five years remaining until its expiration or, if such extension is not accomplished, to accumulate amounts in the Agency Subaccount and B Subaccount of the IDB Account until amounts therein reach \$20,000,000. See also the caption "REIMBURSEMENT AGREEMENT" for a discussion of additional required accumulations in the IDB Account pursuant to the Reimbursement Agreement with U.S. Bank National Association. Amounts drawn under the Letter of Credit for a debt service deficiency (and any interest accrued thereon) must be repaid by the Agency from any of its legally available funds and at the option of the Agency may be repaid from any amounts deposited in the Debt Service Account of the applicable Common Bond Fund after such draw and not needed to pay principal, interest or Redemption Price on Common Fund Bonds due within 90 days following such deposit. Amounts drawn upon the expiration of the Letter of Credit are repayable by the Agency, first from amounts in the Agency Subaccount of the IDB Account, provided that immediately after such repayment, the amount of funds in the Common Reserve Account shall equal not less the Common Reserve Requirement and amounts in the IDB Account shall equal not less than those levels required by the Basic Resolutions, the Supplemental General Agency Reserve Resolution and the Supplemental Bond Resolutions, whichever shall be greatest; and second, from any other funds of the Agency legally available therefor. The amount available to be drawn under the Letter of Credit will be reinstated by the amount of the drawing upon reimbursement by the Agency of the amount drawn plus all interest and other amounts due to the Bank under the Reimbursement Agreement. See "THE LETTER OF CREDIT" and "THE REIMBURSEMENT AGREEMENT" herein.

Tax Reserve Fund

In the event the Agency Subaccount and A Subaccount or B Subaccount of the IDB Account are depleted, the City has pledged to levy and collect taxes of up to one-half of one percent of the tax capacity of the City on all taxable property in the City and deposit the same in the Tax Reserve Fund. The Tax Reserve Fund is pledged to the Bonds and any other designated series of Common Fund Bonds. All outstanding Common Fund Bonds issued after December 31, 1986, have been so designated. The current tax capacity of the City following recent legislative changes in tax rates has not been determined but is estimated to be approximately \$240 million, so that one-half

percent currently represents approximately \$1.2 million of annual taxing authority. Tax capacity, and therefore the annual taxing authority, will vary from year to year as a result of various factors. No assurance can be given that the amount annually collectible will be sufficient to pay principal or interest on all Common Fund Bonds which may be secured by the Tax Reserve Fund. Any or all new issues of Common Fund Bonds may be secured by the Tax Reserve Fund without limitation as to amount (other than a statutory limitation not likely to be reached). See "TAX PLEDGE AND RESERVE ORDINANCE" herein.

PROJECT DESCRIPTION AND SOURCE AND APPLICATION OF FUNDS

The Project

The Bonds are being issued to (a) refund the Agency's outstanding Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 1992G-3, in the outstanding principal amount of \$6,585,000 and the Agency's outstanding Subordinate Development Revenue Bonds (Orpheum Theatre Project) Series 1993, in the outstanding principal amount of \$500,000, originally issued to finance improvements to the Orpheum Theatre owned by the Agency and (b) provide funds to renovate the theater formerly known as the Mann Theatre and which has been renamed to its original Pantages Theatre name.

The Pantages Theatre is a vacant historic movie theater located near 7th and Hennepin in downtown Minneapolis. It was acquired by the City of Minneapolis in 1998 and recently transferred to the Agency. The Agency will renovate the Pantages Theatre and adjoining Stimson Building. After completion of renovation, the Pantages Theatre will be managed by The Historic Theater Group, Ltd. ("HTG"). Meanwhile, the Agency will finance work on the Stimson Building through the issuance of \$6,000,000 Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2001-4 (the "Series 2001-4 Bonds"). The Agency intends to sell the Stimson Building to a private developer and, until a buyer can be found, lease space to office, restaurant and similar tenants. No sale or leasing arrangements have been made at this time.

Renovation work will be performed by a contractor to be selected by the Agency on the basis of competitive bidding in accordance with plans developed on behalf of the Agency. The Agency expects to complete the work by December 1, 2002.

With the Pantages Theatre renovation the Agency will own three historic theaters which provide live entertainment venues on Hennepin Avenue in downtown Minneapolis: (i) the 2,618 seat Orpheum Theatre near 10th and Hennepin renovated in 1993; (ii) the 2,122 seat State Theatre near 8th and Hennepin renovated in 1991; and (iii) the 900 seat Mann Theatre (these theaters are herein referred to as the "Theatres"). The Orpheum Theatre and State Theatre are suitable for Broadway theater productions. The Pantages Theatre will provide a smaller venue for off-Broadway productions and more provocative fare.

Renovation of the Pantages Theatre and continued support for the other Theatres is consistent with the City's goal, as identified in its Comprehensive Plan, to strengthen the role of downtown Minneapolis as a center for arts, entertainment and culture. To that end the area along Hennepin Avenue between 5th and 10th Streets has been designated as downtown's Entertainment District. The Pantages Theatre is across the street from Block E, which is being developed as an entertainment complex with the aid of tax increment financing.

Debt service for the Bonds and the Series 2001-4 Bonds will be provided primarily from the Surcharge Revenues and Revenues Available for Debt Service described below. The Agency has agreed that if Surcharge Revenues and Revenues Available for Debt Service are not sufficient to pay debt service on the Series 2001G-3 Bonds and the Series 2001-4 Bonds, the Agency will appropriate other funds to cover the shortfall. For additional information relating to the Agency's ability to make these payments, see Appendix F hereto.

Surcharge Revenues consist of proceeds of a historic preservation surcharge added to the price of tickets for events at the Theatres in amounts determined by the Agency from time to time. Revenues Available for Debt Service consist of (a) all revenues which the Agency is entitled to receive and which are derived from or related to the Theatres, including without limitation, ticket revenues (net of sales tax), ticket surcharges, concession revenue,

theatre rental income, and all other revenues, from whatever source derived, but excluding Surcharge Revenues, less (b) all amounts payable by the Agency as operating, maintenance or management expenses, including without limitation, management contract payments, costs of cleaning and routine maintenance, charges payable (or deductions) to ticket distributors and sellers, and all other costs and expenses treated as current expenses in accordance with generally accepted accounting principles, and less (c) at the discretion of the Agency, amounts deposited in a repair and replacement fund or similar fund, deemed necessary or desirable by the Agency for the purpose of providing for repair, replacements or unanticipated capital expenses of the Theatres.

The estimated sources of funds for the Project are as follows:

Bond Proceeds.....	\$22,225,000
Other Available Funds	<u>1,396,210</u>
Total	<u>\$23,621,210</u>

Such sources are expected to be applied as follows:

Refunding Escrow	\$ 7,743,227
Renovation and equipment	12,389,000
Reserve Deposit.....	2,667,885
Capitalized Interest	355,000
Issuance Costs, Agency Fee, Disbursement Fee, Underwriters' Fee and Other	<u>466,098</u>
Total.....	<u>\$23,621,210</u>

ISSUANCE OF COMMON FUND BONDS

Pursuant to the Basic Resolutions, the Agency may, from time to time by adoption of a Supplemental Bond Resolution, issue other series of Common Fund Bonds payable from and secured by one of the Common Bond Funds on a parity with other Common Fund Bonds payable from such Common Bond Fund and further secured by the A Subaccount or B Subaccount, as applicable, and the Agency Subaccount of the IDB Account of the General Agency Reserve and funds available under the Letter of Credit. No limitation is imposed under the Basic Resolutions as to the aggregate principal amount of any particular series of Common Fund Bonds or as to the aggregate principal amount of all series of Common Fund Bonds issued under the Basic Resolution, except that such other Common Fund Bonds may only be issued if both (a) (i) \$10,000,000 is then on deposit in the Agency Subaccount and the A Subaccount or B Subaccount, as applicable, of the IDB Account, or (ii) the Bank has consented to the issuance of such other Common Fund Bonds, and (b) the Ratio Requirement is met. See "THE BASIC RESOLUTIONS -- Ratio Requirements and Additional Common Fund Bonds" herein.

The Agency may issue additional series of Common Fund Bonds only upon:

(a) adoption by the Agency of an additional Supplemental Bond Resolution providing for additional Net Revenues which, if collected in full and when due, will be sufficient to pay the principal of and interest on such additional series of Common Fund Bonds;

(b) consent to the issuance of such additional series of Common Fund Bonds and the additional Supplemental Bond Resolution authorizing issuance thereof having been secured from the Underwriters (which consent should not be unreasonably withheld) or the holders of not less than fifty-one percent (51%) of the aggregate principal amount of the then outstanding and undischarged Common Fund Bonds payable from such Common Bond Fund; provided that additional series of Common Fund Bonds sufficient to complete a Facility owned by the Agency may be issued without obtaining such consent; and

(c) deposit in the Common Bond Fund of unencumbered funds equal to, in the case of the Common Fund A Bonds, at least the lesser of (i) the maximum amount of principal and interest to become due in any future calendar year on such additional series of Common Fund A Bonds or (ii) 15% of the net proceeds of such series (or 15% of the face amount if the net proceeds equal or exceed 98% of the face amount) and, in the case of the Common Fund B Bonds, at least the maximum amount of principal and

interest to become due in any future calendar year on such additional series of Common Fund B Bonds. The Minimum Deposit may be satisfied by delivery to the Trustee of a letter of credit drawable for such amount.

No additional series of Common Fund Bonds shall be issued if the effect would be to subject the interest payable on any Common Fund Bonds then outstanding (which are subject to such tax exemption) to federal income taxes.

The Basic Resolutions permit any future series of Common Fund Bonds to be additionally secured by an insurance policy, guaranty or other surety instrument and permits subrogation of any such insurer, guarantor or surety to the rights of the holders of such series of Common Fund Bonds to the extent of payments for debt service thereon, in addition to other rights on a parity with those of holders which may be granted to such persons upon payment of debt service.

THE BASIC RESOLUTIONS

The following is a summary of certain provisions of the Basic Resolutions. Reference is made to the Basic Resolutions for a complete recital of their terms.

Financing of Facilities

The Basic Resolutions permit the Agency to issue Common Fund Bonds thereunder to finance any facility authorized to be financed under the Act and which the Agency either owns and leases to a tenant or which is financed under a loan agreement whereby the Agency loans the proceeds of a series of Common Fund Bonds to a borrower who retains ownership of the Facility and who may or may not grant a mortgage or security interest to the Agency to secure its repayment obligations. Basic Resolution B also permits the Agency to issue Common Fund B Bonds to finance facilities owned by the Agency in the absence of a lease or loan agreement.

Production of Adequate Net Revenues

Under Basic Resolution B, the Agency covenants to provide Net Revenues, by the Agency or by a Contracting Party, sufficient to pay the principal of, interest and redemption premium on the applicable series of Common Fund B Bonds. Under Basic Resolution A or if a Revenue Agreement is required in connection with a series of Common Fund B Bonds, the Agency will require, pursuant to the applicable Supplemental Bond Resolution and the applicable Revenue Agreement, the Contracting Party in connection with each Facility to pay to the Agency revenue and rental payments in such amounts and at such times as shall be sufficient to make all payments of principal of, premium, if any, and interest on the applicable series of Common Fund Bonds; provided, however, that the Revenue Agreement may provide for credit to the Contracting Party against Net Revenues payable thereunder to the extent of Reserve Deposits, Prepaid Net Revenues, Collateral Proceeds or Retained Funds deposited under the Revenue Agreement regardless of the sufficiency of amounts then on deposit in the applicable Common Bond Fund and IDB Account to pay principal and interest on applicable Common Fund Bonds when due. The Net Revenues of a Facility under a Revenue Agreement consist of all amounts payable under the Revenue Agreement to meet scheduled debt service payments, and all amounts required to be deposited in the Common Bond Fund subsequent to Bond Closing except any Reserve Deposits, Prepaid Net Revenues, Collateral Proceeds, Administrative Fees, Retained Funds, Restricted Funds, amounts required under a Revenue Agreement to be deposited in the Common Reserve Account or certain other specific charges (except to the extent any such amounts shall be applied or credited to amounts otherwise payable as Net Revenues). Pursuant to the applicable Supplemental Bond Resolution and any applicable Revenue Agreement, the Contracting Party shall also be required to make certain other payments in connection with the related Facility, including, but not limited to, taxes and special assessments levied on or with respect to the Facility, all costs of operation, maintenance, repairs, insurance and utilities and other costs (except such costs, if any, as may be specifically agreed to be paid by the Agency from other available funds). In the event of a default by the Contracting Party the Agency agrees to use its best efforts to lease, sublease or otherwise cause any Facility affected by any such default to be operated to help pay the principal of, premium, if any, and interest on the Common Fund Bonds when due and to maintain the Common Reserve

Account. In the event of the sale of all or a portion of a Facility, the Agency further covenants that it will use its best efforts to secure the best price obtainable, subject, in the case of the Common Fund B Bonds, to any limitations necessary to maintain the tax exempt status of the Common Fund B Bonds. The Agency is required to employ and maintain a staff to administer the operations of the Agency in numbers, skill and training so as to permit the Agency to use its best efforts to continuously: (a) monitor performance by all Contracting Parties of their covenants in the applicable Revenue Agreements, (b) expend such time as is practicable and appropriate on leasing, re-leasing or selling Facilities, (c) enforce all covenants in the Revenue Agreements as may from time to time be required to assure a continuous flow to the Agency of Net Revenues from Facilities and (d) perform such other duties as may from time to time be required to provide sufficient Net Revenues and other sums required to be deposited pursuant to the Basic Resolution to meet the requirements thereof.

Net Revenues from Operating Agreements

For each Facility, if any, operated directly by the Agency or by an operator under an Operating Agreement, the Agency shall maintain in its official books and records a bookkeeping account to be designated as the Operating Fund of that Facility, reflecting all revenues received from and any operating costs incurred by the Agency. The revenues from time to time deposited in the Operating Fund shall be applied to the payment of all: (a) current costs of the operation of such Facility determined in accordance with accepted accounting practices, (b) current maintenance and repairs necessary to maintain the Facility in adequate operating condition, (c) labor and the cost of materials and supplies necessarily used for such current operation, maintenance and repairs, (d) insurance of the Facility and the premises in which such Facility is located against risks, (e) insurance of the Agency and its officers and employees against liability for damage to persons and property incurred in connection with such operation and (f) charges for the accumulation of appropriate reserves for the payment of operating costs which recur periodically but in varying amounts. All of the revenues received by the Agency with respect to its Operating Fund for any Facility in excess of such operating costs incurred and payable or to become payable within one (1) month also constitute Net Revenues of the Agency. At the present time, two Facilities are being operated by the Agency, but the Agency may operate additional Facilities as a result of defaults under Revenue Agreements. See "REVENUES AND REVENUE AGREEMENTS OF AGENCY" herein.

Funds Pledged and Assigned

All funds required to be deposited and retained in the applicable Common Bond Fund or IDB Account (with the exception of earnings on Reserve Deposits and other funds in the Common Reserve Account which the Agency may designate) are pledged and appropriated to secure the payment when due of all principal, premium, if any, and interest on all related Common Fund Bonds from time to time outstanding. All sums required to be deposited or credited in the applicable Common Bond Fund pursuant to the related Basic Resolution or to an applicable Supplemental Bond Resolution shall be credited to the funds and accounts as provided in the applicable Basic Resolution and in all applicable Supplemental Bond Resolutions; and to the extent deposited and retained in the Common Bond Fund or the IDB Account of the General Agency Reserve, but, subject to the Basic Resolutions, such amounts shall not be subject to any lien or attachment by any creditor of the Agency other than the lien of holders of Common Fund Bonds and certain sureties who may have made payments in respect of Common Fund Bonds, and, so long as the Letter of Credit is outstanding or any obligation remains unpaid under the Reimbursement Agreement, the lien and security interest of the Bank.

Common Bond Funds

The Common Bond Funds established by the Basic Resolutions each consist of four accounts, the Debt Service Account, the Deficiency Account, the Common Reserve Account and the Administrative Fee Account. All amounts in both Common Bond Funds will be held by the Trustee. The following description of the various accounts describes such accounts created under each of Basic Resolution A and Basic Resolution B. All references below to Common Fund Bonds refer solely to Common Fund Bonds issued under each of the Basic Resolutions. Nothing set forth below is intended to imply that funds pledged for payment of Common Fund A Bonds are available for payment of Common Fund B Bonds, or vice versa (except amounts in the Agency Subaccount, the Letter of Credit and the Tax Reserve Fund).

(a) *Debt Service Account.* The Agency shall deposit in to the Debt Service Account: (i) all Net Revenues when paid or received by the Agency, (ii) Retained Funds (funds to be credited against payments under a Revenue Agreement) as such funds are credited against Net Revenues otherwise due under a Revenue Agreement, and (iii) to the extent required by any applicable Supplemental Bond Resolution or its related Revenue Agreement, proceeds from Common Fund Bonds for the payment of interest accrued on the related Common Fund Bonds prior to the Bond Closing therefor, for the first payment of interest due on such bonds or otherwise.

Funds held in the Debt Service Account may be withdrawn and used only for the payment of: (i) interest on Common Fund Bonds payable from such Common Bond Fund, including accrued interest on any Common Fund Bonds redeemed before maturity, increases in interest resulting from Common Fund Bonds becoming taxable, interest accruing on any such Common Fund Bond after its stated maturity, and to the extent that payment of such interest is lawful, interest upon overdue installments of interest due on Common Fund Bonds at the rate borne by such Common Fund Bonds, (ii) the principal of and any premium on any Common Fund Bonds at their stated maturities or when called for redemption and prepayment in accordance with any Supplemental Bond Resolution related thereto, (iii) the discharge of Common Fund Bonds of any series in accordance with the terms of the applicable Basic Resolution or the purchase of any Common Fund Bonds in accordance with the applicable Basic Resolution or any applicable Supplemental Bond Resolution, (iv) any amounts due in repayment of draws made under the Letter of Credit and any other amounts due under the Reimbursement Agreement, (v) any amounts for which the Agency has a right of reimbursement from a Contracting Party or Guarantor paid in the discretion of the Agency to prevent impairment of the lien of the applicable Basic Resolution or any interest of the Agency in any Facility and (vi) rights of certain sureties, if any, arising from payments in respect of any Common Fund Bonds. Additionally, Net Revenues received after they were due and payable may be transferred to any subaccount in the Common Reserve Account to the extent amounts in such account were withdrawn because of delay in payment of such revenues.

(b) *Deficiency Account.* On December 31 of each year the Agency is required to transfer to the Deficiency Account (i) all amounts in the Debt Service Account, except for a reasonable carryover amount not to exceed one-twelfth of annual debt service on all Common Fund Bonds payable from such Common Bond Fund (and except for any Excess Earnings transferred to the Rebate Fund for tax exempt Common Fund Bonds issued after January 1, 1985), and (ii) all earnings (other than certain exempted earnings on Reserve Deposits, Retained Earnings and amounts in the Deficiency Account) held in any subaccount in the Common Reserve Account which, together with other sums held in such subaccount, exceed the amount related to such subaccount on which the Common Reserve Requirement is determined.

(c) *Common Reserve Account.* The Agency shall deposit in the Common Reserve Account and appropriate subaccounts therein the following funds which will generally be held to pay or redeem Common Fund Bonds: (i) all Reserve Deposits, (ii) Prepaid Net Revenues (amounts generally received upon termination of a Revenue Agreement), (iii) Collateral Proceeds (amounts generally realized from the sale or from partial sale of a Facility or foreclosure of a Facility not credited against Net Revenues) and (iv) Retained Funds (funds to be credited against payments under a Revenue Agreement). Earnings on any funds held in the Common Reserve Account or any subaccount thereof shall be credited initially to such account or subaccount and applied as the Agency may designate, except for Retained Earnings which are credited to a subaccount for Retained Funds.

To preserve amounts required for future payment on Common Fund Bonds, subject to the requirement that such transfers may not be made unless \$5 million remains in the Agency Subaccount, available funds in the Agency Subaccount and A Subaccount or B Subaccount, as applicable, of the IDB Account are required to be transferred to the Common Reserve Account to maintain funds therein in an amount equal to the "Common Reserve Requirement" which at any time is: (A) all Reserve Deposits not credited against Net Revenues and (B) all funds held in any subaccount for Prepaid Net Revenues, Collateral Proceeds or Retained Funds which have not been applied pursuant to the applicable Basic Resolution to the purchase, payment, prepayment, redemption or discharge of the related series of Common Fund Bonds or as a credit against Net Revenues due under the related Revenue Agreement.

The Minimum Deposit required pursuant to such Basic Resolution may be met by deposits of sufficient amounts of any unencumbered funds and funds provided by or on behalf of the Agency or applicable Contracting Party, including proceeds of the Common Fund Bonds in respect of which any such requirement arises. Proceeds of any series of tax exempt Common Fund Bonds issued after August 15, 1986 may be used as the Reserve Deposit, but only to the extent that such amount does not exceed 10% of the net proceeds of the related series of Common Fund Bonds. Funds so provided may be cash or shall be deemed provided to the extent of amounts drawable under any Agency approved letter of credit. Notwithstanding anything to the contrary, the Agency shall have the power to permit earnings on any such Reserve Deposit to be free of any lien created by the Basic Resolution and not credited to the Common Bond Fund but to such Contracting Party or its designee under terms and conditions established by the Agency; provided that in no event may the principal amount of such deposit be free of the lien upon the Common Reserve Account funds created by the Basic Resolution.

Reserve Deposits may be used and withdrawn only for (i) the last payments of principal, premium, if any, and interest on the applicable series of Common Fund Bonds, and (ii) the purposes for which funds in the Debt Service Account may be withdrawn, but only after exhaustion of the Administrative Fee Account, the Deficiency Account, and the Debt Service Account.

Funds in any subaccounts established for the Prepaid Net Revenues or Collateral Proceeds related to Common Fund Bonds of any series shall be withdrawn and used only:

(i) to pay, prepay, purchase, redeem or discharge any Common Fund Bonds or any interest or premium thereon (A) of such series in the case of Prepaid Net Revenues and (B) of any series in the case of Collateral Proceeds, and

(ii) for the purposes for which other funds in the Common Reserve Account may be withdrawn, but only after exhaustion of the Debt Service Account, the Deficiency Account, the Administrative Fee Account and other funds in the Common Reserve Account other than in any subaccount for Prepaid Net Revenues, Collateral Proceeds or Retained Funds.

Funds in any subaccounts established for Retained Funds related to Common Fund Bonds of any series shall be withdrawn and used only:

(i) when and in the manner as such funds are required to be applied and credited against payments due under a Revenue Agreement in accordance with the terms of such Revenue Agreement;

(ii) to purchase, redeem or discharge Common Fund Bonds of the series to which such funds relate; and

(iii) for the purposes for which other funds in the Common Reserve Account may be withdrawn, but only after exhaustion of the Debt Service Account and Administrative Fee Account and other funds in the Common Reserve Account other than in subaccounts for Prepaid Net Revenues, Collateral Proceeds or Retained Funds.

Retained Funds credited against Net Revenues otherwise due under a Revenue Agreement shall be transferred to the Debt Service Account as and when so credited.

Except as described above or otherwise provided in the applicable Supplemental Bond Resolution or Revenue Agreement, upon discharge of any series of Common Fund Bonds, amounts in any such subaccount shall be released to the Common Reserve Account generally or other appropriate subaccounts as the Agency shall in its discretion determine, except as such funds may be transferred in order to effect such a discharge and except as any such funds may be owing to the applicable Contracting Party under the applicable Revenue Agreement. Any application of or withdrawal of Prepaid Net Revenues, Collateral Proceeds or Retained Funds shall be credited, if at all, against Net Revenues or other sums otherwise due in

the manner and to the extent provided in any applicable Supplemental Bond Resolution or Revenue Agreement.

(d) *Administrative Fee Account.* Subject to withdrawals in accordance with the Basic Resolution, the Agency shall deposit all Administrative Fees charged to Contracting Parties for participation in the Common Bond Fund program when received into the Administrative Fee Account. Earnings on funds in the Administrative Fee Account shall be credited to such account.

Funds on deposit in the Administrative Fee Account shall be withdrawn only for the purposes for which funds in the Debt Service Account may be withdrawn and only after exhaustion of the Debt Service Account (as determined before any transfers thereto pursuant to the Basic Resolution to restore the Common Reserve Account); provided that to the extent any amounts deposited in the Administrative Fee Account are not withdrawn due to shortages in the Debt Service Account, seventy-five percent (75%) of such amounts (or 100% if the Ratio Requirement is not then met) shall be transferred each calendar month to the A Subaccount or B Subaccount, as applicable, of the IDB Account in the General Agency Reserve and, if the Ratio Requirement is not then met, twenty-five percent (25%) thereof shall be transferred to the General Account of the General Agency Reserve Fund. Such sums transferred to the General Account will no longer secure Common Fund Bonds.

General Agency Reserve and IDB Account

Annually the Agency is required to credit to the A Subaccount or B Subaccount of the IDB Account, as applicable, as described below 75% (100% if the Ratio Requirement is not then met) of the Available Surplus and (if the Ratio Requirement is then met) 25% of such Available Surplus to the General Account (commonly known as "Fund ERZ") in the General Agency Reserve. No Common Fund Bonds of any series may be issued unless at the time of such issuance amounts or investments valued at cost in the Agency Subaccount and the A Subaccount or B Subaccount, as applicable, of the IDB Account of the General Agency Reserve equal at least \$10,000,000, or the Letter of Credit or a substitute therefor has been issued in favor of the Agency that if fully drawn upon would provide an amount available for deposit in the Debt Service Account which, together with other sums in the Agency Subaccount and the A Subaccount or B Subaccount, as applicable, of the IDB Account, would equal at least \$10,000,000.

Ratio Requirements and Additional Common Fund Bonds

The Basic Resolutions prohibit the issuance of additional Common Fund Bonds unless, upon the issuance of such Common Fund Bonds, the sum of the Cash Reserve Ratio and Letter of Credit Reserve Ratio equal 25% or more. The Agency is required to maintain the sum of the Cash Reserve Ratio and the Letter of Credit Reserve Ratio at an amount equal to at least 25% (the "Ratio Requirement"). If at any time the Ratio Requirement is not met, the Agency must (a) not issue additional Common Fund Bonds, (b) transfer to the Agency Subaccount of the IDB Account any sums available in the General Account of the General Agency Reserve ("Fund ERZ"), (c) increase from 75% to 100% of Available Surplus the amounts to be transferred annually to the IDB Account and (d) increase from 75% to 100% of the funds in the Administrative Fee Account to be transferred annually to the IDB Account. The obligation to maintain the Ratio Requirement is limited to amounts pledged to the Common Bond Fund and neither the City nor the Agency have any obligation to levy any taxes for or make any advance or payment or incur any expense or liability from its or their general funds for this purpose.

Letter of Credit

(a) *Draws.* The Trustee is obligated to make a draw under the Letter of Credit to the extent necessary to pay the principal and interest on Common Fund Bonds of any series then due and which the Agency is then obligated to pay from a Common Bond Fund but is unable to pay from the Common Bond Fund after all sums required and allowed to be transferred thereto pursuant to the applicable Basic Resolution have been transferred. All draws upon a debt service deficiency under the Letter of Credit shall be deposited in the applicable Debt Service Account. The Trustee is also required to draw the entire amount available to be then drawn under the Letter of

Credit and deposit the proceeds of such draw in the Agency Subaccount if the Letter of Credit has not been renewed or extended or otherwise substituted prior to expiration of the Letter of Credit.

(b) *Repayment of Draws on Letter of Credit.* Amounts drawn under the Letter of Credit for a debt service deficiency (and any interest accrued thereon) must be repaid by the Agency from any of its legally available funds and at the option of the Agency may be repaid from any amounts deposited in the Debt Service Account of the applicable Common Bond Fund after such draw and not needed to pay principal, interest or Redemption Price on Common Fund Bonds due within 90 days following such deposit. Amounts drawn upon the expiration of the Letter of Credit are repayable by the Agency, first from amounts in the Agency Subaccount of the IDB Account, provided that immediately after such repayment, the amount of funds in the Common Reserve Account shall equal not less the Common Reserve Requirement and amounts in the IDB Account shall equal not less than those levels required by the Basic Resolutions, the Supplemental General Agency Reserve Resolution and the Supplemental Bond Resolutions, whichever shall be greatest; and second, from any other funds of the Agency legally available therefor.

(c) *Substitute Letter of Credit.* The Agency may substitute for the initial Letter of Credit a subsequent letter of credit issued by another bank or other financial institution, provided that such substitution does not cause the bond rating assigned to Common Fund Bonds by any national bond rating agency to be lowered below the rating obtainable immediately before such substitution; provided further that if at the time of any such substitution there is no such rating on Common Fund Bonds, then the other bank and other financial institution shall have deposits or shareholders' equity or net worth (or the equivalent thereof) at least equal to that of the Bank at the date of such substitution.

(d) *Reduction of Amounts Drawable.* Subject to any contrary provision in the Supplemental Bond Resolutions, and subject to satisfaction of all fund balance requirements otherwise set forth in the applicable Basic Resolution, the Agency has the right to reduce the amount available under the Letter of Credit or terminate it in whole.

Transfers of Funds and Accounting Procedures

(a) *Payment and Restoration of Common Reserve Requirement.* If at any time funds in the applicable Common Bond Fund are not sufficient to pay the principal of, premium, if any, or interest on any Common Fund Bonds of any series payable therefrom when due, or to maintain funds in the related Common Reserve Account sufficient to meet the applicable Common Reserve Requirement, amounts sufficient to make such payment and restore the Common Reserve Account to the Common Reserve Requirement shall be forthwith transferred, first to the Debt Service Account to the extent necessary for such payment, and then to the Common Reserve Account to the extent necessary for such restoration: (i) out of funds to the extent thereof held in the A Subaccount or B Subaccount, as applicable, and to the extent of any amounts in the Agency Subaccount of the IDB Account in the General Agency Reserve which exceed \$5 million, and (ii) in the event that funds in such Subaccount of the IDB Account are not sufficient to fully make any such payment and restoration, but only if and to the extent the Agency so elects in its sole discretion, then from other available funds of the Agency. If the foregoing required transfers are not sufficient to pay any principal or interest on any Common Fund Bonds when due, the Trustee shall then draw upon the Letter of Credit for the purpose of making such payment, but except in the case of draws upon the expiration thereof, not for the purpose of restoring the Common Reserve Requirement. If transfers to the Common Reserve Account pursuant to the foregoing are not sufficient to fully restore all subaccounts in the Common Reserve Account to the level at which the Common Reserve Requirement is determined, amounts so transferred shall be allocated among all subaccounts in the Common Reserve Account as determined by the Agency (in a manner not inconsistent with any applicable Supplemental Bond Resolution or Revenue Agreement). Thereafter, subject to the provisions of the Basic Resolution, the subaccounts in the Common Reserve Account shall be fully restored from amounts, if any, available therefor from time to time in the Debt Service Account, the IDB Account or earnings (other than Retained Earnings) on amounts in other accounts or subaccounts in the Common Bond Funds.

(b) *Available Surplus Determination.* Promptly following the end of each calendar year the Agency shall determine the Available Surplus, if any, from such year, which, generally, shall be the amount by which amounts on deposit in the applicable Common Bond Fund (other than certain earnings on Reserve Deposits) as of December 31

of such year are greater than: (i) the Projected Debt Service Deficiency, if any, for the next following calendar year and (ii) the Common Reserve Requirement as of such date. The Projected Debt Service Deficiency is generally the amount by which: (A) amounts projected to be withdrawn from the Common Bond Fund during such year are greater than (B) projected deposits to be made in the Common Bond Fund during such year, less (C) reductions projected to occur during such year in the Common Reserve Requirement. The foregoing procedure shall not, however, foreclose the Agency from determining a different Available Surplus regarding amounts appropriate or not appropriate to transfer as described in paragraph (c) below based on accounting procedures more closely related than the foregoing procedure to the Agency's receipt of Net Revenues in comparison with claims against the Common Bond Fund.

(c) *Available Surplus Transfer.* Promptly following a determination of the Available Surplus from a year under Common Bond Fund A and Common Bond Fund B, such Available Surplus shall be transferred to the A Subaccount or the B Subaccount, as applicable, of IDB Account in the General Agency Reserve to the extent of an amount equal to all transfers previously made therefrom to make debt service payments or to restore the applicable Common Reserve Account to the Common Reserve Requirement (and which have not been previously repaid), and thereafter, seventy-five percent (75%) of any remaining Available Surplus (100% if the Ratio Requirement is not then met) shall be transferred to such A Subaccount or B Subaccount of the IDB Account and, if the Ratio Requirement is then met, twenty-five percent (25%) of such remaining Available Surplus to such other accounts in the General Agency Reserve for any proper purpose.

Construction Fund

The proceeds of each series of Common Fund Bonds, other than refunding bonds, after underwriter's discount and less any accrued interest and premium and any other amounts paid into the Common Bond Fund as provided in the Basic Resolution or applicable Supplemental Bond Resolution, shall forthwith upon the Bond Closing for such Common Fund Bonds be deposited in a separate Construction Fund. Disbursements therefrom shall be made in accordance with the applicable Supplemental Bond Resolution, Revenue Agreement and Disbursement Agreement for payment of costs of the Facility, payment of the applicable Common Fund Bonds or, in certain cases, amounts due the Agency under the Revenue Agreement. Except as otherwise provided in the related Supplemental Bond Resolution, earnings on amounts in such a Construction Fund shall be credited to the Construction Fund.

Discharge of Obligations to Holders

Payment of Common Fund Bonds. When any series of Common Fund Bonds have been discharged as provided in the applicable Basic Resolution, all pledges, covenants and other rights granted by such Basic Resolution shall cease as to the Holders of such Common Fund Bonds. Such Common Fund Bonds shall no longer be considered outstanding under the Basic Resolution, and the lien created upon any Net Revenues and other sums derived from any Facility financed in whole or in part by such Common Fund Bonds and any and all covenants made in the Basic Resolution with respect to such Facility may be terminated with respect to the Holders of all outstanding Common Fund Bonds of the series. However, nothing in the applicable Basic Resolution shall be construed as relieving any Contracting Party from its obligation to continue to make all payments due under the Revenue Agreement. Furthermore, nothing in the Basic Resolution shall be construed as entitling the Contracting Party to: (a) a reduction in either the amount by which such payments may be prepaid or the purchase price for the Facility or (b) terminate the Revenue Agreement. The Agency may discharge Common Fund Bonds and interest due on any date by depositing with the Trustee or any escrow agent selected by the Trustee on or before that date a sum sufficient for the payment thereof in full; and if any Common Fund Bonds or interest thereon have not been paid when due, the same may nevertheless be discharged by depositing with the Trustee or escrow agent a sum sufficient for the payment thereof in full, together with interest accrued from the due date to the date of such deposit.

Deposit for Discharge. The Agency may discharge all Common Funds Bonds at any time, when authorized by law, by irrevocably depositing in escrow with a suitable banking institution (as defined in *Minnesota Statutes*, Section 475.67) a sum of cash and securities in such aggregate face amount bearing interest as such rates and maturing or callable at the option of the Holders thereof on such dates as shall be required to pay all redemption

premiums, if any, and all principal and interest due on such Common Fund Bonds to their stated maturity dates (or mandatory redemption date) or any earlier date upon which they may be redeemed prior to maturity (or mandatory redemption) in accordance with their terms. Notice of such redemption must be duly given in accordance with the terms of the Common Fund Bonds and the Supplemental Bond Resolution under which such series was authorized. The securities to be so deposited shall be limited to securities permitted under *Minnesota Statutes*, Section 475.67(8), but shall not otherwise be limited by the provisions of the applicable Basic Resolution.

Amendment of the Basic Resolutions

Amendments Not Requiring Consent. The Agency reserves the right to amend the Basic Resolutions without the holders' consent at any time for the purpose of: (a) curing any ambiguity or formal defect or omission in the applicable Basic Resolution or in any amending resolution or Supplemental Bond Resolution, (b) modifying the accounting procedures in the applicable Basic Resolution and order of sources of payment of Common Fund Bonds from accounts and subaccounts in the applicable Common Bond Fund, (c) granting for the benefit of the Holders of the Common Fund Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted or (d) making any other change which is not to the prejudice of any Holders of Common Fund Bonds. The Agency may amend certain provisions of the Basic Resolutions relating to the Ratio Requirement without the consent of the Holders of any Common Fund Bonds provided that consent must be obtained as provided below if the Ratio Requirement would fall below 15% by giving effect to the proposed amendment.

Amendments With Holders' Consent. Unless consent or approval is not required, the holders of not less than fifty-one percent (51%) in aggregate principal amount of the Common Fund Bonds secured thereby which are at any time outstanding and not discharged shall have the right to consent to and approve the amendment of the applicable Basic Resolution (excluding any Supplemental Bond Resolution authorizing the issuance of Common Fund Bonds) by the Agency, for the purpose of authorizing any modification, alteration, amendment or rescission of or any addition to the applicable Basic Resolution. However, nothing in the Basic Resolution shall: (a) permit a reduction in the aggregate principal amount of the Common Fund Bonds required for consent to any such amendment, (b) permit an extension of the maturity date (or mandatory redemption date) of the principal of or interest on any Common Fund Bond not held by a consenting holder or (c) grant a privilege or priority of any Common Fund Bond over any other Common Fund Bond not provided for in the Basic Resolution. Any written consent to an amendment may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by the holders in person or by an agent duly appointed in writing, and such consent shall become effective when such instrument or instruments are delivered to the Trustee.

So long as the Letter of Credit is outstanding, no amendments may be made to either Basic Resolution without the consent of the Bank.

Enforcement of Covenants

No holder of any Common Fund Bond shall have the right to institute any proceeding, judicial or otherwise, for the enforcement of the covenant of either Basic Resolution without (a) the written concurrence of the holders of not less than ten percent (10%) in aggregate principal amount of all Common Fund Bonds secured thereby then outstanding or twenty percent (20%) in aggregate principal amount of all Common Fund Bonds of any series secured thereby then outstanding and (b) the failure of the Trustee to institute such action. However, nothing shall impair the absolute and unconditional right of the holder of each Common Fund Bond to receive payment of the principal thereof, premium, if any, and interest thereon at the time provided in any authorizing resolution of the Agency and to institute suit for the enforcement of any such payment in accordance with the terms of such Common Fund Bond.

Trustee

Wells Fargo Bank Minnesota, National Association, has been appointed Trustee in accordance with the Basic Resolutions. The Agency may appoint a successor Trustee or the Trustee may be removed as Trustee under either Basic Resolution by the holders of at least a majority in aggregate principal amount of all Common Fund Bonds secured thereby then outstanding. A successor Trustee must be the Agency itself or a bank, trust company or

national banking association having trust powers and having a capital and surplus of at least \$50,000,000. A successor Trustee may enforce remedies of the holders of Common Fund Bonds.

THE SUPPLEMENTAL BOND RESOLUTION

The following is a summary of certain provisions contained in the Supplemental Bond Resolution for the Bonds. Reference is made to the Supplemental Bond Resolution for a complete recital of its terms.

The Bonds are to be issued pursuant to a resolution supplementing the Basic Resolution A (the “Supplemental Bond Resolution”), approving on behalf of the Agency the Underwriting Agreement and establishing the essential terms of the Bonds. See “THE BONDS” herein. The Supplemental Bond Resolution incorporates by reference all applicable provisions of Basic Resolution B. See “THE BASIC RESOLUTIONS” herein.

Application of Proceeds

The net proceeds from the sale of the Bonds, except accrued interest credited to the Common Bond Fund, will be (i) disbursed to pay the costs of the Project pursuant to a Disbursement Agreement between the Agency, the Trustee and a title insurance company and (ii) deposited in an irrevocable escrow account to pay principal and interest on the Prior Bonds.

Common Bond Fund

On the closing date, the Agency shall deposit in Common Bond Fund B from the proceeds of the Bonds the interest accrued on the Bonds from their nominal date to the date of their delivery to the Underwriters. The Reserve Deposit for the Bonds will be derived from Bond proceeds. In addition, the Supplemental Bond Resolution provides that any payments by the Agency with respect to the Bonds will be deposited in Common Bond Fund B and applied in accordance with Basic Resolution B.

Special Covenants

The Agency agrees that it shall either (a) renew or extend the Letter of Credit from time to time so that either (i) there shall at all times be at least five years remaining until its expiration or (ii) it shall expire on or after the date of the latest maturity date of the Bonds, or (b) irrevocably pledge all earnings on the Agency Subaccount and the B Subaccount of the IDB Account after the date the Agency fails to meet the requirement of the preceding clause (a) to the repayment of Common Fund B Bonds on the same terms as other funds in the Agency Subaccount and the B Subaccount of the IDB Account; provided, however, that no sums in the Agency Subaccount and the B Subaccount of the IDB Account in excess of \$20 million need be pledged.

Amendment of the Supplemental Bond Resolution

The Agency may amend the Supplemental Bond Resolution without notice to or the consent of the Holders of any Bonds issued pursuant thereto for any one of the following purposes so long as such amendment is not inconsistent with the terms and conditions of Basic Resolution B:

- (a) to permit the issuance of additional Common Fund B Bonds permitted by Basic Resolution B;
- (b) to cure any ambiguity or formal defect or omission in the Supplemental Bond Resolution;
- (c) to grant for the benefit of the holders of any Common Fund B Bonds (including the Holders of the Bonds) additional rights, remedies, powers, authority or security;

(d) to substitute or add additional equipment, machinery or land, or to release any portion of the Project financed by the Bonds in the manner provided in said Supplemental Bond Resolution or to more precisely identify any equipment or machinery financed by such Common Fund Bonds;

(e) to make whatever changes may be necessary to the Supplemental Bond Resolution to prevent the interest on the Bonds issued thereunder from becoming taxable under federal income tax laws;

(f) to make any other changes deemed by the Agency as necessary to reconcile the Supplemental Bond Resolution with any related Revenue Agreement or any amendments thereto; or

(g) to make such other changes which, in the judgment of the Agency, are not to the prejudice of any holders of Bonds.

Exclusive of amendments or supplements for the purposes set forth in the previous paragraph, the consent of the holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds issued pursuant to the Supplemental Bond Resolution and then outstanding is required to approve any amendment or supplement to such Supplemental Bond Resolution; provided, however, that no amendment or supplement shall permit:

(i) any amendment which is inconsistent with the terms and conditions of the Basic Resolution B;

(ii) an extension of the maturity of the principal of or interest on any such Bond not held by a consenting holder thereof,

(iii) a reduction in the principal amount of or rate of interest on any such Bond not held by a consenting holder thereof,

(iv) a privilege or priority of any such Bond or Bonds over any other such Bond or Bonds except as otherwise provided in the Supplemental Bond Resolution; or

(v) a reduction in the aggregate principal amount of such Bonds required for consent to any supplemental or amendatory resolution;

without the consent of the holders of one hundred percent (100%) of the principal amount of the Bonds (or, in the case of an amendment described in clause (i), all Common Fund B Bonds payable from the Common Bond Fund) then outstanding.

TAX PLEDGE AND RESERVE ORDINANCE

The Tax Pledge and Reserve Ordinance (the "Ordinance") contains a pledge by the City for the benefit of the holders of the Bonds and other designated Common Fund Bonds to levy up to one-half of one percent of the tax capacity of the City on all taxable property in the City in the event the IDB Account, as separately defined for Common Fund A Bonds and Common Fund B Bonds, is ever fully depleted. The City may elect to provide cash, investments or Approved Letters of Credit to the IDB Account in order to avoid the tax levy obligation. Replenishment of the IDB Account after depletion does not suspend the City's obligation to levy and collect taxes.

The City pledges under the Ordinance at all times to maintain monies or Approved Letters of Credit in the Tax Reserve Fund at least equal to the Tax Reserve Requirement. The Tax Reserve Requirement shall be zero dollars (\$0) until the IDB Account has been depleted. Thereafter, the Tax Reserve Requirement shall be equal to twice the amount obtained by multiplying the one-half percent tax rate limit by the tax capacity against which the City could levy. The Tax Reserve Requirement shall be calculated as of the latest of the following dates: (i) the date on which the IDB Account is first fully depleted, or (ii) the date upon which monies have been most recently drawn from the Tax Reserve Fund to pay the principal, interest or Redemption Price of the Bonds or other Common Fund

Bonds of the Agency issued after the date of issuance of the Bonds of which the Tax Reserve Fund has been pledged.

Earnings on the Tax Reserve Fund may be withdrawn from the Tax Reserve Fund by the City provided the Tax Reserve Requirement is met. The City shall provide to the Agency information concerning the investment of amounts in the Tax Reserve Fund necessary to enable the Agency to calculate the amounts which may be subject to rebate to the United States under Section 148 of the Internal Revenue Code of 1986 or any successor provision applicable to tax exempt Common Fund Bonds secured by the Tax Reserve Fund. The City agrees to limit the yield on investments in the Tax Reserve Fund and make the rebates to the United States as required by Section 148 of the Internal Revenue Code of 1986 or applicable successor provisions to the extent required to preserve any exclusion from federal gross income of interest on tax exempt Common Fund Bonds secured by the Tax Reserve Fund.

The City may modify the terms of the Ordinance if such modification is not, in the judgment of the City Council, materially adverse to the interests of the holders from time to time of the Bonds.

Upon certification by the trustee for the Common Bond Fund that all amounts in the Common Bond Fund and the IDB Account, as separately defined for the Common Fund A Bonds and Common Fund B Bonds, have been expended and all amounts have been drawn under the Letter of Credit or further draws thereunder are for any reason unavailable, and a further certification of the amount then required to be received by the trustee for the Common Bond Fund and applied to the payment of the principal, interest or Redemption Price of the Bonds (and other designated Common Fund Bonds) in order to prevent the Agency from defaulting on any such payment, the Finance Officer of the City shall withdraw such amount (or, if less, the amount then available in the Tax Reserve Fund) and remit the same to the trustee for the Common Bond Fund.

CITY PROPERTY TAXES

Tax Levies, Rates and Collections

In December of each year the City Council and the other City tax-levying authorities are required to certify their levies to the County Director of Property Taxation on all taxable property in the City which, if collected in the ensuing year, will be sufficient, in addition to other revenues of the City available therefor, to defray the expenses of the City for the next fiscal year. Taxes on real property and personal property become due on the first Monday in January. If in any year a taxpayer elects, as is his right, to pay his annual taxes in two installments, the first real property installment becomes delinquent on May 16 and the second real property installment becomes delinquent on October 16. Personal property taxes become delinquent after February 28 for the first half and on July 1 for the second half.

Set forth in the table below are the tax rates for the years 1997 to 2001. Certain governmental units, including the Metropolitan Council, the Metropolitan Transit Commission, the Metropolitan Mosquito Control District, Park Museum Fund and Hennepin County Regional Railroad Authority, have been aggregated into the category designated "Other" in the table.

Tax Rates In Tax Capacity

<u>Governmental Unit</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
City	43.011%	43.718%	42.488%	39.088%	35.672%
Special School District No. 1	51.929	57.200	59.752	66.278	68.582
County	33.627	35.557	37.008	34.630	31.814
Other	<u>7.641</u>	<u>7.931</u>	<u>7.986</u>	<u>6.850</u>	<u>6.019</u>
Totals	<u>136.208%</u>	<u>144.406%</u>	<u>147.234%</u>	<u>146.817%</u>	<u>142.087%</u>

Set forth in the following table are the City's ad valorem tax levies and collections for the years 1992 through 2001.

**Tax Levies and Collections (1)
(In Thousands)**

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>
2001	\$163,751			<i>In Process</i>		
2000	153,438	\$151,872	98.979%	\$232	\$152,104	99.131%
1999	144,339	142,815	98.944	841	143,656	99.527
1998	139,189	137,700	98.930	789	138,489	99.497
1997	137,535	135,340	98.404	1,433	136,773	99.446
1996	129,017	126,623	98.151	381	127,004	98.440
1995	129,594	125,641	97.644	(95)	126,446	97.571
1994	125,927	121,157	96.212	(2,536)	118,621	94.198
1993	126,861	121,448	95.733	(2,476)	118,972	93.781
1992	123,399	119,108	96.523	865	119,973	97.224

(1) Includes reduction in homestead property taxes reimbursed by the State.

Property taxes for the City (and other political subdivisions within the County) are collected by the County Director of Property Taxation. In months of February, July and December, the County treasurer settles accounts with the appropriate political subdivisions, based upon their respective tax rates and assessed valuations. Taxes levied on both real and personal property which are delinquent constitute, pursuant to State law, first and perpetual liens thereon (with certain exceptions for personal property). Delinquent property taxes are withheld from the political subdivisions in which such property is located in proportion to the tax rate and levy of each and the County retains the responsibility of enforcing the collection of such delinquent taxes.

Set forth below is a breakdown of the tax capacity of categories of real and personal property located within the City for the years 1996 through 2000.

**Tax Capacity
(In Thousands)**

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Commercial & Industrial	\$183,103	\$168,107	\$161,928	\$169,145	\$189,356
Residential	131,830	118,884	110,718	109,209	107,871
Apartment	37,827	32,108	29,285	33,016	36,977
Other	<u>197</u>	<u>153</u>	<u>148</u>	<u>54</u>	<u>139</u>
Total Real Property	352,957	319,252	302,079	311,424	334,343
Personal Property	<u>9,849</u>	<u>9,615</u>	<u>9,530</u>	<u>10,837</u>	<u>12,825</u>
Total Real and Personal Property	362,806	328,867	311,609	322,261	347,168
Less Increment Financing	<u>(54,741)</u>	<u>(47,706)</u>	<u>(43,739)</u>	<u>(43,874)</u>	<u>(43,782)</u>
Net Tax Capacity	\$308,065	\$281,161	\$267,870	\$278,387	\$303,386

The foregoing tables do not reflect the impact of property tax reforms enacted in 2001. Those reforms will result in a decrease in tax capacity of approximately 22% and a reduction in local levies for school purposes (to be replaced by State levies for education).

REVENUES AND REVENUE AGREEMENTS OF AGENCY

The Net Revenues of the Agency pledged to the payment of Common Fund Bonds are those which are either pledged by the Agency (in the case of certain Common Fund B Bonds) or are derived from Revenue Agreements (leases or loan agreements) entered into with Contracting Parties prior to the issuance of each series of Common Fund Bonds under which the Contracting Party agrees to make payments sufficient to pay the principal, premium, if any, and interest on such Common Fund Bonds when due, and to make payments to be used for administrative fees of the Agency; provided, however, that each Contracting Party shall receive a credit against payments of Net Revenues to the extent amounts have been deposited in the Common Bond Fund pursuant to the applicable Revenue Agreement or Supplemental Bond Resolution even though such amounts may have been applied to payments on a series of Common Fund Bonds not related to such deposits.

The Revenue Agreements presently in effect are the Leases and Loan Agreements with the Contracting Parties described in APPENDIX B hereto.

DEFAULTS AND REAL ESTATE OWNED

The Agency has experienced defaults in the past under certain of the Revenue Agreements, none of which have resulted in a failure to pay principal and interest on any Common Fund Bonds when due. No Contracting Party is currently more than 30 days in arrears under its Revenue Agreement.

In the event of a default under a Revenue Agreement taking the form of a lease, the Agency has the right, among other things, to sue to enforce the covenants contained therein, to accelerate lease payments and to terminate the lease and re-lease the property to another tenant. In the event of a default under a Revenue Agreement taking the form of a loan agreement, the Agency is expected to have the right to sue to enforce the covenants thereof, to accelerate loan repayments and to enforce the terms of any related mortgage or security agreement. Neither the Facilities nor the Agency's interest in the leases, loan agreements and related security agreements and the property covered thereby are directly pledged as security for the Common Fund Bonds, but the Agency is required to apply the proceeds thereof in accordance with the Basic Resolutions for the benefit of the holders of the Common Fund Bonds. The Agency is obligated under the Basic Resolutions to enforce the obligations of Contracting Parties under the Revenue Agreements and to collect rentals and other payments as they become due to the extent and in the manner that the Agency reasonably determines is prudent and necessary to protect the interests of the holders, but the Agency may in its sole discretion renegotiate the terms of or waive a default under any Revenue Agreement so long as such renegotiation or waiver is consistent with covenants made in the related Basic Resolution and the applicable Supplemental Bond Resolution. The Agency has agreed in each Basic Resolution to require such rentals or other payments in connection with each Facility as are sufficient to assure prompt payment of debt service on all Common Fund Bonds issued thereunder. The Agency has also agreed to supply a professional staff so as to permit the Agency to monitor performance by the Contracting Parties under the Revenue Agreements and expend such time on leasing and re-leasing Facilities as may be required to provide sufficient Net Revenues to meet the requirements of each Basic Resolution.

GENERAL AGENCY RESERVE

Pursuant to the General Agency Reserve Resolution a General Agency Reserve was established by the Agency which may be pledged in whole or in part to various future obligations of the Agency in accordance with supplemental resolutions. Except for the IDB Account as described under the heading "SUPPLEMENTAL GENERAL AGENCY RESERVE RESOLUTION" below, the Agency has not pledged any revenues to the General Agency Reserve or pledged the General Agency Reserve to the payment of the Bonds or any other obligations.

SUPPLEMENTAL GENERAL AGENCY RESERVE RESOLUTION

Pursuant to the Supplemental General Agency Reserve Resolution, the Agency has created the IDB Account within the General Agency Reserve consisting of three subaccounts: the Agency Subaccount, the A Subaccount and the B Subaccount. The Agency Subaccount is pledged to the payment of all Common Fund Bonds. The A Subaccount is pledged only to the payment of Common Fund A Bonds and the B Subaccount is pledged only to Common Fund B Bonds. The Agency is required to deposit in the A Subaccount or B Subaccount as appropriate (i) 75% (100% if the Ratio Requirement is not then met) of the Available Surplus (generally, any excess accumulations from earnings and other sources over projected debt service requirements of the Debt Service Account plus the Common Reserve Requirement of the Common Reserve Account), (ii) reimbursement for any advances previously made from the IDB Account to the Common Reserve Account, (iii) any amounts appropriated by the Agency thereto, and (iv) any other sources as directed by the Agency. In the event the amounts on deposit in the Common Reserve Account of either Common Bond Fund shall be less than the applicable Common Reserve Requirement, the Agency is required to advance funds on hand in the A Subaccount or the B Subaccount, as applicable, and the Agency Subaccount of the IDB Account (to the extent of funds in excess of \$5 million) to restore such deficiency. The B Subaccount and the Agency Subaccount of the IDB Account are pledged to the payment of the Bonds, except that the Agency may withdraw and use for other purposes any amounts of cash (or investments valued at market in the reasonable discretion of the Agency) on deposit in such Subaccounts in excess of \$10,000,000 (\$20,000,000 if required extensions of the Letter of Credit have not been made). Withdrawals are also prohibited unless the amount on deposit in the IDB Account (and all subaccounts therein) is at least 20% of the outstanding principal amount of outstanding Common Fund Bonds (exclusive of (i) defeased Common Fund Bonds and (ii) any other Common Fund Bonds, the underlying credit of which would be rated not less than "A" by Standard & Poor's Rating Group, without giving effect to the credit enhancement provided by the Common Bond Fund); except that withdrawals may be made to (i) replenish other funds securing Common Fund Bonds or pay debt service on Common Fund bonds, (ii) pay arbitrage rebate under Section 148(f) of the Code, and (iii) reimburse draws under the Letter of Credit.

THE LETTER OF CREDIT

The Bank has issued in favor of the Trustee an Irrevocable Letter of Credit (the "Letter of Credit") in the maximum amount of \$10,000,000, which is subject to reduction and termination in relation to deposits in the IDB Account as described below. The Letter of Credit expires on July 19, 2006. The Agency is required to seek an extension of the Letter of Credit at least five years in advance of its expiration. The Agency is required under the Basic Resolutions to make draws from time to time under the Letter of Credit if, after exhausting amounts available in the Common Bond Fund and the Agency Subaccount and A Subaccount or B Subaccount, as appropriate, of the IDB Account, the amounts on hand in the Debt Service Account are not sufficient to pay the principal of and interest on any Common Fund Bonds when due. The Trustee is also required to draw the entire amount available to be drawn under the Letter of Credit upon its expiration and deposit the proceeds of the draw in the Agency Subaccount, unless the Letter of Credit has been renewed or extended or otherwise substituted. The Letter of Credit may be drawn upon by one or more sight drafts in the prescribed form. If any draft is drawn under the Letter of Credit and subsequently repaid (with interest), together with any other amounts then due under the Reimbursement Agreement, by the Agency the amount of the Letter of Credit is reinstated by the amount drawn. Under certain conditions described herein, the amount available under the Letter of Credit may in the discretion of the Agency be reduced from \$10 million to a lesser amount or terminated in the discretion of the Agency.

The Agency may substitute for the Letter of Credit a subsequent Letter of Credit issued by another bank or other financial institution at any time subsequent hereto, provided that such substitution does not cause the bond rating assigned to Common Fund Bonds by any national bond rating agency to be lowered below the rating obtainable immediately before such substitution; provided further that if at the time of any such substitution there is no such rating on Common Fund Bonds, then the other bank or financial institution shall have deposits or shareholders' equity or net worth (or the equivalent thereof) at least equal to that of the Bank at the date of such substitution.

THE REIMBURSEMENT AGREEMENT

The Agency and the Bank have entered into a Reimbursement Agreement, dated July 19, 1993, as amended (the "Reimbursement Agreement"), which sets forth certain obligations of the Agency and provides for the repayment of any amounts drawn under the Letter of Credit. The annual fee payable to the Bank by the Agency is equal to 1.25% of the amount available to be drawn under the Letter of Credit payable in semiannual installments in advance. Reimbursement of any draws under the Letter of Credit, which are payable from any legally available funds of the Agency, or at the option of the Agency from amounts subsequently deposited in the applicable Common Bond Fund, is required to be made on demand with interest at an annual rate equal to 4% above the rate of interest publicly announced by the Bank from time to time as its reference rate.

Under the Reimbursement Agreement, the Agency covenants, among other things, to submit to the Bank copies of applications by Contracting Parties for the issuance of Common Fund Bonds, to not issue any series of Common Fund Bonds unless the Bank has consented thereto in its sole discretion, to not amend any Basic Resolution without the consent of the Bank, to enforce the Revenue Agreements and, if a monetary default has occurred under a Revenue Agreement and has continued for 12 months and the amount on deposit in the IDB Account is less than six months' debt service on the series of Common Fund Bonds to which the Revenue Agreement relates, to enforce specific remedies at the direction of the Bank, to furnish on a periodic basis certain financial statements of the Agency and the Common Bond Funds to the Bank, to maintain an aggregate balance of not less than \$3 million in the Agency's General Fund and Development Account and to maintain monies and investments in the IDB Account until the amount therein accumulates to 20% of the then current principal amount of outstanding Common Fund Bonds, notwithstanding provisions in the Basic Resolutions which may permit earlier discretionary withdrawals by the Agency.

Events of Default under the Reimbursement Agreement include, without limitation, failure to pay in a timely fashion any amounts due the Bank under the Reimbursement Agreement or to fail to abide by certain covenants thereunder, certain acts of bankruptcy or liquidation of the Agency or the City, adverse changes in the financial condition or municipal powers of the Agency and failure to pay by the Agency any final judgment in excess of \$500,000. The Bank's remedies upon the occurrence of an Event of Default include acceleration of all amounts due under the Reimbursement Agreement, prohibition of the Agency from issuing any other Common Fund Bonds and any other remedies legally available to the Bank, including remedies available under the Uniform Commercial Code. The provisions of the Reimbursement Agreement may be further amended from time to time by the Bank and the Agency, without the consent of the Trustee, the Bondholders or any other person.

As security for the payment of its obligations under the Reimbursement Agreement, the Agency has granted the Bank a security interest, subordinate to the lien of the Holders of the Common Fund Bonds, in payments received by Contracting Parties and deposits in the Common Bond Funds and the IDB Account.

TAX EXEMPTION

Bond Counsel Opinion

In the opinion of Gray, Plant, Mooty, Mooty & Bennett, P.A., bond counsel, under existing statutes, court decisions and rulings, (i) interest on the Bonds is not includable in gross income for Federal income tax purposes, as such terms are used in the Code, and, to the same extent, is not includable in taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, but is subject to the Minnesota franchise tax measured by income imposed on corporations and financial institutions, and (ii) interest on the Bonds is not a specific preference item for determining the Federal alternative minimum tax imposed on individuals and corporations under Section 55 of the Code.

No opinion will be expressed by bond counsel with respect to any other Federal or Minnesota tax consequences resulting from the receipt of principal or premium of or interest on the Bonds, or ownership or transfers of the Bonds.

Certain sections of the Code impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain excluded from gross income for purposes of Federal and Minnesota income taxation. Noncompliance with such requirements may cause interest on such Bonds to be subject to Federal and Minnesota income taxation, in some cases retroactive to the date of issuance of the Bonds. These requirements include, but are not limited to, (i) restrictions on activities which may be conducted by the Agency in connection with the Project, (ii) provisions that prescribe that the proceeds of the Bonds and certain other amounts are subject to yield and other investment limits; and (iii) provisions that require that certain investment earnings must be paid on a periodic basis to the Department of the Treasury of the United States of America.

Certain Federal Taxes Imposed on Corporations

Interest on the Bonds is not a specific item of tax preference for purposes of the Federal alternative minimum tax applicable to all taxpayers under Section 55 of the Code, but interest on the Bonds is includable in adjusted current earnings for purposes of determining the “alternative minimum taxable income” of corporations subject to the alternative minimum tax. Pursuant to Section 842 of the Code, interest on the Bonds is included in the net investment income of a foreign insurance company subject to the taxes imposed by Section 801 or Section 831 of the Code. Section 884 of the Code imposes a branch profits tax on the effectively connected earnings and profits of a foreign corporation for the taxable year (as adjusted by the terms of Section 884(b) of the Code). Interest on the Bonds is included in the effectively connected earnings and profits of a foreign corporation. Section 1375 of the Code imposes a tax on the net passive income of a Subchapter S corporation if the corporation has Subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment income. Interest on the Bonds is included in the excess net passive income of a Subchapter S corporation.

Collateral Tax Consequences

Pursuant to Section 6012(d) of the Code, every taxpayer required to file a return under Section 6012 (individuals, corporations, estates, and trusts, among others) must include on such return the amount of interest received or accrued during the taxable year which is exempt from Federal income taxation. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount that would otherwise be taken into account as “losses incurred” under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the tax-exempt interest received or accrued during the taxable year by such company. In the case of a financial institution described in Section 265(b)(5) of the Code, no deduction is allowed for the portion of the interest expenses of such financial institution which is allocable to tax-exempt bonds. Section 86 of the Code provides that gross income for the taxable year includes one-half of the amount by which the “modified adjusted gross income” of the taxpayer exceeds \$25,000 (\$32,000 in the case of a joint return), provided that such amount cannot exceed one-half of all Social Security benefits received during the taxable year. The term “modified adjusted gross income” means, for purposes of Section 86 of the Code, adjusted gross income increased by the amount of interest received or accrued on tax-exempt bonds. Owners of the Bonds are encouraged to consult with their tax advisors regarding the impact of the foregoing and other collateral tax consequences that may result from ownership of the Bonds.

UNDERWRITING

Pursuant to the terms of an Underwriting Agreement Dain Rauscher Incorporated and U.S. Bancorp Piper Jaffray Inc. have agreed to purchase the Bonds from the Agency, upon certain terms and conditions.

The Bonds are offered, subject to prior sale, when, as and if issued by the Agency and accepted by the Underwriters, subject to the approval of certain legal matters by Bond Counsel, and certain other conditions.

The purchase price payable by the Underwriters for the Bonds includes accrued interest. The Underwriters will purchase the Bonds at a discount or will be paid a fee in the aggregate amount of \$222,250. The Bonds will be offered for sale at par plus accrued interest. Such prices are subject to change after the date hereof.

LEGAL MATTERS

Certain legal matters incident to the validity of the Bonds are subject to the approving opinion of Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota, Bond Counsel.

The Underwriters have been represented in this offering by Faegre & Benson LLP, Minneapolis, Minnesota.

RATING

Standard & Poor's Ratings Group has assigned a rating of "A-" to the Bonds. Such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from Standard & Poor's Ratings Group at 25 Broadway, New York, New York 10004 or at (212) 248-2525. There is no assurance that this rating will continue for any given period of time or that it will not be changed, suspended or withdrawn if, in the judgment of such agency, circumstances so warrant. Any such change, suspension or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The Agency and the Trustee have entered into an Amended and Restated Continuing Disclosure Agreement dated as of March 1, 1996, to provide for the continuing disclosure of certain information relating to the Common Fund Bonds, in accordance with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities Exchange Act of 1934, to provide or cause to be provided to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository ("SID"), if any, for the State of Minnesota, in each case as designated by the Commission in accordance with the Rule, annual financial information and operating data (commencing with the calendar year ended December 31, 1996). This will consist of (i) updating the certain information set forth in this Official Statement relating to the City (by providing schedules of Tax Rates, Tax Levies and Collections and Tax Capacity), (ii) providing annual financial statements prepared with respect to the Common Bond Fund and Common Fund Bonds and (iii) providing copies of annual financial statements provided by any obligated person (which is defined as any Contracting Party obligated in excess of 10% of the principal amount of outstanding Bonds at the time such Common Fund Bonds are issued). The Agency is an obligated person for purposes of this agreement.

The annual financial information and operating data described above is expected to be available within 270 days after the end of each fiscal year (as to the Agency and the City) and within 180 days after the end of each fiscal year (as to any other Obligated Person), and will be made available, in addition to the NRMSIRs and the SID, to the Trustee and to each holder who makes written request for such information.

Under the Continuing Disclosure Agreement the Agency will also agree to provide or cause to be provided in a timely manner to (i) each NRMSIR and (ii) the SID, notice of the occurrence of any of the following events with respect to the Common Fund Bonds if such event is material;

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls, other than as a result of scheduled mandatory sinking fund redemption;
- (ix) defeasances;
- (x) release, substitution, or sale of any property securing repayment of the securities; and
- (xi) rating changes.

The Trustee agrees to provide or cause to be provided, in a timely manner, to each NRMSIR and the SID notice of a failure by the Agency to provide the information described above.

In the event of a failure of the Agency to provide the required information, the Trustee or any Holder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply. If the information is provided but is deemed inadequate, the Trustee may undertake enforcement actions and any Holder may also take such actions if such Holder complies with certain requirements. A default under the Agreement is not an Event of Default under the Basic Resolutions, and the sole remedy under the Agreement is an action to compel performance.

The Agreement may be amended by agreement of the Agency and the Trustee without notice to or consent of the owners of any Common Fund Bonds; provided, however, the Agreement, as amended, must comply with the Rule.

MISCELLANEOUS

The foregoing summaries or descriptions of provisions of the Bonds, the Basic Resolutions, the General Agency Reserve Resolution, Supplemental General Agency Reserve Resolution, the Tax Pledge and Reserve Ordinance, the Letter of Credit and the Supplemental Bond Resolution, and all references to materials not purporting to be quoted in full are only brief outlines of certain provisions. For further information relating to such matters, reference is hereby made to the complete documents, copies of which are available for inspection during the period of this offering at the offices of the Underwriters and at the offices of the Agency. All capitalized terms used herein which are not expressly defined are defined in the Basic Resolutions or in the Supplemental Bond Resolution for the Bonds.

The Agency has authorized the use of this Official Statement.

M1:805464.01

APPENDIX A

**MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY
GENERAL AGENCY RESERVE FUND SYSTEM**

Financial Statements for the Years Ended

December 31, 2000 and 1999

APPENDIX B

DESCRIPTION OF CONTRACTING PARTIES

Common Fund A Bonds

In connection with the issuance of Common Fund A Bonds the Agency has entered into Revenue Agreements with the Contracting Parties described below. None of the Contracting Parties are obligated with respect to Common Fund A Bonds exceeding 10% of the outstanding principal amount of all outstanding Common Fund Bonds.

<u>Bond Series</u>	<u>Contracting Party</u>
Series 1986-2, dated December 1, 1986, \$855,000 outstanding; issued to finance construction of a printing facility.	Winslow Printing Co., a Minnesota corporation. The Contracting Party is engaged in the commercial printing business.
Series 1987-2, dated July 1, 1987, \$560,000 outstanding; issued to finance improvements to lumber supply business.	See Series 1997-3.
Series 1987-4, dated September 1, 1987, \$665,000 outstanding; issued to acquire and improve a manufacturing building.	Jerzy T. Wyrobek, an individual. The Lease obligations are guaranteed by 7-Sigma Incorporated, a Minnesota corporation which leases the Facility from Mr. Wyrobek. The guarantor manufactures molded components.
Series 1988-1, dated September 1, 1988, \$3,120,000 outstanding; issued to acquire and improve a manufacturing building.	Tiro Industries, Inc., a Minnesota corporation. The Tenant is engaged in the contract manufacture and packaging of products for the cosmetic, bath and beauty industry.
Series 1989-2, dated December 1, 1989, \$1,070,000 outstanding; issued to finance the construction of a manufacturing facility.	Ronshar Properties, a Minnesota general partnership. The Lease obligations are guaranteed by R & S Litho, Inc. and by Ronald and Sharon Nelson, shareholders of R & S Litho, Inc. R & S Litho, Inc. is engaged in the lithography business.
Series 1989-3, dated December 1, 1989, \$435,000 outstanding; issued to finance the acquisition of a 6-color printing press and a desktop publishing system.	Bolger Publications, Inc., a Minnesota corporation. The Tenant's obligations under the Lease are guaranteed by certain shareholders of the Tenant. Bolger Publications, Inc. is engaged in the printing business.
Series 1990-2, dated June 1, 1990, \$595,000 outstanding; issued to finance an addition to and renovation of a warehouse, wholesale and office facility.	Hirshfield's Inc., a Minnesota corporation. Hirshfield's, Inc. is engaged in the wholesale and retail sale of wall coverings, paint and related products.
Series 1990-3, including \$600,000 outstanding Series 1990-3A Bonds dated August 1, 1990 and \$70,000 outstanding taxable Series 1990-3B Bonds dated September 1, 1990, issued to finance a manufacturing and office building.	Werner-Mathison Associates, a Minnesota general partnership. A portion of the Facility is leased to Engineering Unlimited, Inc. which guarantees the Lease obligations. Engineering Unlimited, Inc. is engaged in the manufacture of rotary shackle padlocks and computer control systems.

Bond Series

Series 1990-4, dated September 1, 1990, \$2,780,000 outstanding; issued to finance the acquisition and renovation of an office building.

Series 1991-2, dated June 1, 1991, \$1,040,000 outstanding; issued to finance a 38-unit rental housing facility.

Series 1991-3, dated July 1, 1991, \$1,710,000 outstanding; issued to finance a manufacturing facility.

Series 1991-4, dated August 1, 1991, \$950,000 outstanding; issued to finance a manufacturing, classroom and office facility.

Series 1992-2, dated June 1, 1992, including \$515,000 Series 1992-2A Bonds, \$215,000 Series 1992-2B Bonds and \$370,000 Series 1992-2C Bonds; issued to refinance existing debt and construct an addition to a printing facility.

Series 1993-3, dated October 1, 1993, \$1,040,000 outstanding; issued to finance a manufacturing facility.

Series 1993-4, dated November 1, 1993, \$1,210,000 outstanding; issued to finance a manufacturing facility.

Series 1993-5, dated December 1, 1993, \$1,210,000 outstanding; issued to refinance obligations issued to construct a manufacturing facility.

Series 1994-1, dated November 1, 1994, \$640,000 outstanding; issued to refinance obligations issued to construct a manufacturing facility.

Series 1995-2, dated July 1, 1995, \$4,080,000 outstanding; issued to construct a manufacturing facility.

Series 1996-1, dated March 1, 1996, \$6,270,000 outstanding; issued to refund Common Fund Bonds issued to finance a parking facility.

Series 1997-1, dated April 1, 1997, \$2,115,000 outstanding; issued to acquire and rehabilitate a manufacturing facility.

Contracting Party

The Lakes Limited Partnership, a Minnesota limited partnership. The Lease obligations are, subject to certain release provisions, guaranteed by Weisman Enterprises, Inc., a Minnesota corporation, and by William Weisman, its sole shareholder.

BDC Properties Co., a Minnesota corporation.

Caswell International, Inc. is engaged in the manufacture of target ranges and related activities.

Opportunity Workshop, Inc., a Minnesota non-profit corporation. Opportunity Workshop, Inc. provides educational, residential and developmental training for persons with mental handicaps.

Gacek Family Partnership, Robert J. Gacek and Mary Louise Gacek. The facility is subleased to Diversified Graphics, Inc., a Minnesota corporation. Diversified Graphics, Inc., is engaged in the commercial printing business.

Rafowitz Enterprises, a Minnesota partnership. The facility is leased to Northern Cap Manufacturing Co., a Minnesota corporation. Northern Cap Manufacturing Co. manufactures caps and other headwear.

Precision Partners, LLC, a Minnesota limited liability company. The facility is leased to Precision Tapes, Inc., a Minnesota corporation. Precision Tapes, Inc. is in the audio/visual production and duplication business.

See Series 1986-2.

Wanner Engineering, Inc., a Minnesota corporation. Wanner Engineering, Inc. is engaged in the manufacture of high-pressure pumps and related products.

The facility is leased to Nico Properties, a partnership, which subleases to Nico Products, Inc., a Minnesota corporation in the electroplating business.

Carlson Real Estate Company, A Minnesota Limited Partnership, and Carlson Holdings, Inc., a Minnesota corporation.

The facility is leased to HBC Enterprises, Ltd., which subleases to Box USA, a corporation engaged in the manufacture of boxes and other containers.

Bond Series

Series 1997-2, dated May 1, 1997, \$3,780,000 outstanding; issued to acquire, construct and equip a manufacturing facility.

Series 1997-3, dated April 1, 1997, \$700,000 outstanding; issued to refund Common Fund Bonds which financed acquisition and improvement of lumber supply business.

Series 1997-4, dated May 1, 1997, \$2,545,000 outstanding; issued to finance a manufacturing facility.

Series 1997-5, dated October 1, 1997, \$2,420,000 outstanding; issued to refund bonds issued for a multifamily housing project.

Series 1997-7A and 7B, dated October 1, 1997, \$2,445,000 Series 1997-7A Bonds outstanding; issued to refund the Agency's Series 1987-1 Bonds.

Series 1998-1, dated March 1, 1998, \$1,370,000 outstanding; issued to finance a manufacturing facility suitable for making electrical cord packages.

Series 1998-2A and 2B, dated September 1, 1998, \$1,200,000 Series 1998-2A Bonds outstanding and \$380,000 Series 1998-2B Bonds outstanding; issued to finance an addition to a manufacturing facility

Series 1999-1A and 1B, dated April 1, 1999, \$1,900,000 Series 1999-1A Bonds outstanding and \$870,000 Series 1999-1B Bonds outstanding; issued to finance a manufacturing facility.

Series 2000-1, dated March 1, 2000, \$1,505,000 outstanding; issued to finance a manufacturing facility.

Series 2001-2, dated April 1, 2001, \$2,340,000 Series 2001-2A Bonds outstanding and \$55,000 Series 2001-2B Bonds outstanding; issued to refund Common Fund Bonds issued to finance a frozen food manufacturing facility.

Contracting Party

The facility is leased to Ambassador Press, Inc., a Minnesota corporation, and EDBAR Family Limited Partnership and related entities for use by Ambassador in its commercial printing business and related activities.

Shaw Acquisition Corporation, a wholly-owned subsidiary of Shaw Lumber Co., a West Virginia Corporation. The Contracting Party and its parent, Shaw Lumber Co., are engaged in the wholesale and retail lumber, millwork, wood products and retail building supply business.

B.W. Development, LLP, a Minnesota limited liability partnership. The Facility is leased to Baker Bearing Company, Inc. and Siewert Cabinet and Fixture Manufacturing, Inc.

Laurel Village Alden Limited Partnership, a Minnesota limited partnership whose general partner is Community Housing Development Corporation, a Minnesota corporation. The Lease is a nonrecourse obligation of the Contracting Party under which neither the Contracting Party nor its partners are personally liable.

100 East 22d Associates LLP, a Minnesota limited liability partnership.

William J. Campbell, LLC. The lease obligations are guaranteed by William J. Campbell and Cord-Sets, Inc., a Minnesota corporation which subleases the Facility from the limited liability company. The guarantor manufactures electrical cord packages.

See Series 1993-3

John R. Dormanen. The lease obligations are guaranteed by Discount Steel, Inc., a Minnesota corporation which subleases a portion of the facility.

Pajor & Associates, LLC. The lease obligations are guaranteed by Pajor Graphics, Inc., which subleases the facility.

Elmer Enterprises, L.L.C., a Minnesota limited liability Company.

Bond Series

Contracting Party

Common Fund B Bonds

Series 1992G-3, dated November 1, 1992, \$6,585,000 outstanding; issued to finance improvements to Orpheum Theatre. Minneapolis Community Development Agency. Payable from certain revenues derived from Orpheum Theatre. To be defeased with proceeds of the Bonds.

Series 2000G-2, dated August 1, 2000, \$1,650,000 outstanding; issued to acquire and renovate buildings for social service programs. RESOURCE, Inc., a Minnesota nonprofit corporation.

Series 2001G-1, dated April 1, 2001, \$2,670,000 outstanding; issued to refund Common Fund Bonds issued for nursing home improvements. Stevens Square, a Minnesota nonprofit corporation.

APPENDIX C

THE BANK

U. S. BANK NATIONAL ASSOCIATION

[To be revised]

APPENDIX D

SIMPLIFIED CHART OF THE FLOW OF FUNDS

**MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY
Common Bond Fund
Structure of Accounts**

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APPENDIX E

GLOSSARY

The following terms are defined in the Basic Resolutions, Supplemental Bond Resolutions or Revenue Agreements, and reference should be made thereto for the exact definitions of such terms, together with other terms.

“A Subaccount” means a subaccount of the IDB Account which constitutes a reserve for Common Fund A Bonds;

“Act” means Chapter 595, Minnesota Laws of 1980, as amended, Ordinance No. 81-Or-017 of the City, as amended, Ordinance No. 86-Or-035, as amended, and all relevant provisions of Minnesota Statutes, Chapter 469, which recodified Chapters 474,462, 462C and 458 and Minnesota Statutes, Chapter 475 and any other authorizing authority, as the same may be from time to time amended or supplemented, or all of them;

“Administrative Fee Account” means the account by that name established by the applicable Basic Resolution in the applicable Common Bond Fund into which administrative fees payable to the Agency are deposited and held for one month as a reserve securing Common Fund Bonds secured by such Basic Resolution after exhaustion of the Debt Service Account;

“Adjusted Principal” means, with respect to the Common Fund A Bonds, at any time, the aggregate principal amount of all Common Fund Bonds then outstanding under Basic Resolution A, exclusive of any defeased Common Fund Bonds and any other Common Fund Bonds, the underlying credit of which would be rated not less than “A” by Standard & Poor’s Rating Group, without giving effect to the credit enhancement provided by the Common Bond Fund;

“Adjusted Principal” means, with respect to the Common Fund B Bonds, at any time, the aggregate principal amount of all Common Fund Bonds then outstanding under Basic Resolution B, exclusive of any defeased Common Fund Bonds and any other Common Fund Bonds, the underlying credit of which would be rated not less than “A” by Standard & Poor’s Rating Group, without giving effect to the credit enhancement provided by the Common Bond Fund;

“Agency Subaccount” means a subaccount of the IDB Account which constitutes a reserve for all Common Fund Bonds;

“Available Surplus” means, generally, with respect to the applicable Basic Resolution, the amount by which Available Revenues retained as of December 31 of any year are greater than (i) the Projected Debt Service Deficiency, if any, for the next following year and (ii) the Common Reserve Requirement as of such December 31;

“B Subaccount” means a subaccount of the IDB Account which constitutes a reserve for Common Fund B Bonds;

“Bank” means U.S. Bank National Association;

“Basic Resolution” means Basic Resolution A or Basic Resolution B, as applicable;

“Basic Resolution A” means Resolution No. 82-512 of the Agency entitled “Basic Resolution and Indenture”, adopted December 15, 1982, as amended, and any other amendments thereto;

“Basic Resolution B” means Resolution No. 92-815M of the Agency entitled “Basic Resolution and Indenture”, adopted April 24, 1992, as amended, and any amendments thereto;

“Bonds” means the Minneapolis Community Development Agency Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2001G-3;

“Cash Reserve Ratio” means, with respect to Common Fund A Bonds, the sum of the following: (i) a fraction, the numerator of which is the sum of all money credited to the Common Reserve Account and the A Subaccount and the denominator of which is the Adjusted Principal, plus (ii) a fraction, the numerator of which is the sum of all money credited to the Agency Subaccount and the denominator of which is the Outstanding CBF Principal;

“Cash Reserve Ratio” means, with respect to Common Fund B Bonds, the sum of the following: (i) a fraction, the numerator of which is the sum of all money credited to the Common Reserve Account and the B Subaccount and the denominator of which is the Adjusted Principal, plus (ii) a fraction, the numerator of which is the sum of all money credited to the Agency Subaccount and the denominator of which is the Outstanding CBF Principal;

“Code” or “1986 Code” means the Internal Revenue Code of 1986, as amended;

“Collateral Proceeds” means, generally, the net proceeds (other than Prepaid Net Revenues or Retained Funds) from the sale of all or a part of a Facility or from a lump sum settlement in connection with such Facility received by the Agency, whether before or after foreclosure [generally, except for proceeds from a partial sale of a Facility, such sums are those proceeds realized from a Facility following termination of a Revenue Agreement];

“Common Bond Fund” means Common Bond Fund A or Common Bond Fund B, as applicable;

“Common Bond Fund A” means the fund established and designated under Basic Resolution A from which the Common Fund A Bonds are payable;

“Common Bond Fund B” means the fund established and designated under Basic Resolution B from which the Common Fund B Bonds are payable;

“Common Fund Bonds” means any bonds of the Agency issued pursuant to and secured by a Basic Resolution;

“Common Fund A Bonds” means any bonds issued under Basic Resolution A;

“Common Fund B Bonds” means any bonds issued under Basic Resolution B;

“Common Reserve Account” means the reserve account established under the applicable Basic Resolution in the corresponding Common Bond Fund, which consists of subaccounts for Reserve Deposits, Collateral Proceeds, Prepaid Net Revenues and Retained Funds, and from which Common Fund Bonds are payable after exhaustion of the Debt Service Account and Administrative Fee Account;

“Common Reserve Requirement” means at any time for each Common Bond Fund (a) all Reserve Deposits not theretofore credited against Net Revenues or otherwise to the benefit of a Contracting Party, plus (b) all Prepaid Net Revenues, Collateral Proceeds or Retained Funds which have not been applied to the purchase, payment, prepayment, redemption or discharge of such series of bonds (or interest thereon) or as credit against payments due from the related Contracting Party [generally, such requirement establishes the minimum level to which the applicable Common Reserve Account may fall without a requirement that funds be transferred thereto from the applicable subaccounts of the IDB Account; such level generally reflects amounts which the Agency will later apply to purchase or redeem bonds or to credit against payments due under a Revenue Agreement];

“Construction Fund” means any account established for each Facility from which bond proceeds are disbursed for construction of such Facility;

“Contracting Party” means a person who contracts with the Agency under a Revenue Agreement;

“Debt Service Account” means the account by that name in a Common Bond Fund created and established by the applicable Basic Resolution into which Net Revenues are deposited and from which payments on Common Fund Bonds are first withdrawn;

“Disbursement Agreement” means any Disbursement Agreement between the Trustee, the Agency, the Contracting Party and a title insurance company for a series of Common Fund Bonds pursuant to which funds are disbursed from the applicable Construction Fund;

“Excess Earnings” means amounts held by the Trustee which may become subject to rebate to the United States government pursuant to Section 148 of the 1986 Code, and corresponding provisions of prior law;

“Facility” means any revenue-producing properties from time to time owned, leased or otherwise financed in whole or in part by the Agency pursuant to a Basic Resolution;

“General Agency Reserve” means the fund by that name established by the General Agency Reserve Resolution and in which the IDB Account is established;

“IDB Account” means the account by that name established in the General Agency Reserve by the Supplemental General Agency Reserve Resolution;

“Letter of Credit” means the Irrevocable Letter of Credit issued by U.S. Bank National Association, in Minneapolis, Minnesota, in favor of the Agency to secure Common Fund Bonds, or any subsequent letter of credit issued in favor of the Agency to meet the requirements of the Basic Resolutions;

“Letter of Credit Reserve Ratio” means, with respect to Common Fund A Bonds, the sum of the following: (i) a fraction, the numerator of which is the sum of all unexpired Approved Letters of Credit and Subsequent Approved Letters of Credit, and the denominator of which is the Adjusted Principal, plus (ii) a fraction, the numerator of which is the amount of the Letter of Credit (if still in effect) and the denominator of which is the Outstanding CBF Principal;

“Letter of Credit Reserve Ratio” means, with respect to Common Fund B Bonds, the sum of the following: (i) a fraction, the numerator of which is the sum of all unexpired Approved Letters of Credit and Subsequent Approved Letters of Credit, and the denominator of which is the Adjusted Principal, plus (ii) a fraction, the numerator of which is the amount of the Letter of Credit (if still in effect) and the denominator of which is the Outstanding CBF Principal;

“Minimum Deposit” means in respect of any series of Common Fund Bonds a sum equal to not less than the lesser of (i) the maximum principal and interest due on such series in any future calendar year, or (ii) in the case of the Common Fund A Bonds, 15% of the net proceeds of such series, which sum is required at the related bond closing to be deposited into the applicable Common Reserve Account or provided in the form of a letter of credit;

“Net Revenues” means, generally, revenues received or payable by the Agency in respect of any series of Common Fund Bonds and designated as such in the Basic Resolution [typically the monthly payments by the Agency or a Contracting Party under a Revenue Agreement designed to pay when due all payments of principal and interest on the applicable Common Fund Bonds];

“Outstanding CBF Principal” means with respect to Common Fund B Bonds, at any time, the Adjusted Principal plus the aggregate principal amount of all Common Fund Bonds Outstanding under Basic Resolution A exclusive of any defeased or other Common Fund Bonds issued under Basic Resolution A, as amended, the underlying credit of which would be rated not less than “A” by Standard & Poor’s Rating Group, without giving effect to the credit enhancement provided by the Common Bond Fund created by such Resolution;

“Outstanding CBF Principal” means with respect to Common Fund A Bonds, at any time, the Adjusted Principal plus the aggregate principal amount of all Common Fund Bonds Outstanding under Basic Resolution B exclusive of any defeased or other Common Fund Bonds issued under Basic Resolution B, as amended, the

underlying credit of which would be rated not less than “A” by Standard & Poor’s Rating Group, without giving effect to the credit enhancement provided by the Common Bond Fund created by such Resolution;

“Prepaid Net Revenues” means the sum deposited in a Common Reserve Account upon termination of a Revenue Agreement, sale of the applicable Facility or pursuant to any prepayment provision in such agreement, but only to the extent the amount of such sum is determined by the amount of funds necessary at the time of such termination, sale or prepayment to purchase, redeem or otherwise discharge all Common Fund Bonds outstanding under the applicable Basic Resolution which financed such Facility in whole or in part [generally such funds are the amount required to discharge the applicable Common Fund Bonds at the time a Revenue Agreement is terminated or completely prepaid];

“Projected Debt Service Deficiency” means, generally, in respect of a calendar year, the amount, if any, by which amounts projected to be withdrawn from a Common Bond Fund during such year (or remaining due from a prior year) exceed all amounts projected to be deposited in such Common Bond Fund during such year and the earnings thereon (other than Retained Earnings);

“Ratio Requirement” refers to the requirement that additional Common Fund Bonds may not be issued under Basic Resolution A or Basic Resolution B unless the sum of the Cash Reserve Ratio and Letter of Credit Ratio equals 25% or more;

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of July 19, 1993, as amended, between the Agency and the Bank relating to the Letter of Credit and the Agency’s obligation to repay draws thereunder, as amended or otherwise replaced or modified in connection with a substitution of the Letter of Credit;

“Reserve Deposit” means the funds deposited as the Minimum Deposit and any amounts deposited in a Common Reserve Account under or in substitution for any amounts payable under a letter of credit utilized to satisfy the Minimum Deposit obligation of the applicable Basic Resolution;

“Restricted Funds” means funds remaining in the Construction Fund after completion of the related facility and transferred to be held outside of the Common Bond Fund by the Agency or Trustee at a restricted yield for the purchase, redemption or discharge of Common Fund Bonds;

“Retained Earnings” means any earnings on sums held in a Common Reserve Account required under a Revenue Agreement to be applied to or credited against any payments due thereunder or to be credited to the applicable Contracting Party;

“Retained Funds” means Retained Earnings and any other amounts (other than Reserve Deposits and Prepaid Net Revenues) required to be deposited in a Common Reserve Account and credited against any payments due under a Revenue Agreement or to the applicable Contracting Party;

“Revenue Agreement” means the agreement entered into with the Agency by a Contracting Party to finance a Facility;

“Supplemental Bond Resolution” means a resolution authorizing the issuance of a series of Common Fund Bonds pursuant to either Basic Resolution;

“Supplemental General Agency Reserve Resolution” means the resolution of the Agency, adopted on December 15, 1982, as amended and restated on April 24, 1992, as amended, which established the IDB Account;

“Trustee” means Wells Fargo Bank Minnesota, National Association, its successors or assigns, or the Agency or any corporation or association which may at any time be substituted in its place pursuant to either Basic Resolution.

APPENDIX F

OBLIGATED PERSONS

After giving effect to the issuance of the Bonds and the Series 2001-4 Bonds, the Agency will have an obligation to make debt service payments with respect to Common Fund Bonds which exceeds 10% of the aggregate outstanding amount of Common Fund Bonds. This Appendix F describes certain obligations incurred by the Agency in connection with several series of Common Fund Bonds and certain financial information relating to the Agency.

The Series 2001G-3 Bonds are being issued to (a) refund the Agency's outstanding Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 1992G-3, in the outstanding principal amount of \$6,585,000, and the Agency's outstanding Subordinate Development Revenue Bonds (Orpheum Theatre Project) Series 1993, in the outstanding principal amount of \$500,000, originally issued to finance improvements to the Orpheum Theatre owned by the Agency, and (b) provide funds to renovate the Pantages Theatre. The Series 2001-4 Bonds are being issued to provide funds to renovate the Stimson Building adjacent to the Pantages Theatre.

With the Pantages Theatre renovation the Agency will own three historic theaters which provide live entertainment venues on Hennepin Avenue in downtown Minneapolis: (i) the 2,618 seat Orpheum Theatre renovated in 1993; (ii) the 2,122 seat State Theatre renovated in 1991; and (iii) the 900 seat Pantages Theatre (these Theatres are herein referred to as the "Theatres"). The Orpheum Theatre and State Theatre are suitable for Broadway productions. The Pantages Theatre will be used for more provocative off-Broadway fare.

Renovation of the Pantages Theatre and continued support for the other Theatres is consistent with the City's goal, as identified in its Comprehensive Plan, to strengthen the role of downtown Minneapolis as a center for arts, entertainment and culture. To that end the area along Hennepin Avenue between 5th and 10th Streets has been designated as downtown's Entertainment District. The Pantages Theatre is across the street from Block E, which is being developed as an entertainment complex with the use of tax increment financing.

Payments by the Agency to pay debt service on the Series 2001G-3 Bonds and the Series 2001-4 Bonds are payable primarily from the Surcharge Revenues and Revenues Available for Debt Service described below. The Agency has agreed that if Surcharge Revenues and Revenues Available for Debt Service are not sufficient to pay debt service on the Series 2001G-3 Bonds and Series 2001-4 Bonds, the Agency will appropriate other funds to cover the shortfall.

Surcharge Revenues consist of proceeds of a historic preservation surcharge added to the price of tickets for events at the Theatres in amounts determined by the Agency from time to time. The surcharge is presently \$3.00 per ticket, an increase from \$2.00 per ticket for events prior to July, 1999. Historic collections for the period 1996 to 2000 derived from events at the State Theatre and Orpheum Theatre were as follows:

<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
\$848,048	\$1,066,444	\$929,542	\$817,975	\$737,183

Surcharge Revenues are expected to increase after completion of the Pantages Theatre renovation.

Revenues Available for Debt Service consist of (a) all revenues which the Agency is entitled to receive and which are derived from or related to the Theatres, including without limitation, ticket revenues (net of sales tax), ticket surcharges, concession revenue, theatre rental income, and all other revenues, from whatever source derived, but excluding Surcharge Revenues, less (b) all amounts payable by the Agency as operating, maintenance or management expenses, including without limitation, management contract payments, costs of cleaning and routine maintenance, charges payable (or deductions) to ticket distributors and sellers, and all other costs and expenses treated as current expenses in accordance with generally accepted accounting principles, and less (c) at the discretion of the Agency, amounts deposited in a repair and replacement fund or similar fund, deemed necessary or desirable by the Agency for the purpose of providing for repair, replacements or unanticipated capital expenses of

the Theatres. In the case of the Series 2001-4 Bonds, Revenues Available for Debt Service also include revenues derived from the Stimson Building Project.

For the period 1996 to 2000 Revenues Available for Debt Service from the State Theatre and Orpheum Theatre were as follows:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues	\$1,409,054	\$1,989,132	\$1,981,606	\$1,857,912	\$1,972,477
Expenditures	<u>1,788,285</u>	<u>1,965,689</u>	<u>1,916,785</u>	<u>1,928,385</u>	<u>1,968,598</u>
Revenues Available	(\$379,231)	\$23,443	\$64,821	(\$70,473)	\$3,879

The Theatres are owned by the Agency and will be operated by The Historic Theater Group, Ltd., a Minnesota corporation (“HTG”), pursuant to a management agreement which expires on December 31, 2006. Under the management agreement, HTG operates and maintains the Theatres, including concessions, contracts for shows, markets the Theatres, keeps records and prepares budgets, pays applicable taxes and maintains insurance. HTG has managed the Orpheum Theatre since 1990 and the State Theatre since 1991.

The Agency’s obligation to make up shortfalls of Surcharge Revenues and Revenues Available for Debt Service is not a pledge or encumbrance of any specific funds or revenues of the Agency, or a lien on or against specific assets or property of the Agency, or a pledge of the Agency’s taxing powers. The Agency has not entered into any financial covenants which would restrict its activities for the benefit of the holders of the Series 2001G-3 Bonds or the Series 2001-4 Bonds.

In addition to supporting the renovation and improvement of the Theatres primarily with the use of Surcharge Revenues to support debt payments, the Agency has, from time to time provided operating support for the Theatres, some of which have been repaid. The following is a summary of net contributions and receipts resulting from the Agency’s operation of the Theatres for the period 1996 to 2000, inclusive.

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Transfers from Agency:	\$475,729	-0-	\$150,000	\$150,000	\$200,000
Transfers to Agency:	79,977	\$50,000	150,000	150,000	\$200,000

Although the Agency is a separate legal entity from the City, the Agency functions as the development arm of the City and the Agency’s Board of Commissioners consist of the members of the City Council. Because the Agency is, in substance, a part of the City’s operations the Agency’s financial statements are combined with those of the City’s for financial reporting purposes.

The Agency’s Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2000 is incorporated herein by reference. Copies are available from Mr. Robert Lind, Manager, Business Finance Department, Minneapolis Community Development Agency, 200 Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota 55401, Telephone (612) 673-5068. Most of the Agency’s revenues are accounted for in various special funds and not the Agency’s General Fund. This treatment generally reflects the restricted nature of many of the Agency’s revenue sources. Such revenues may typically be used only for specific activities or obligations of the Agency.

For the General Fund, the Revenues and Expenditures for the periods 1996 to 2000 were as follows:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues					
Taxes	\$	\$	\$	\$	\$
Intergovernmental		684	1,367	724,067	1,594,003
Charges for services	3,583,950	3,793,391	4,138,224	4,201,681	4,198,815
Interest	1,932,177	843,137	1,112,302	(635,960)	665,218
Miscellaneous	<u>191,606</u>	<u>16,814</u>	<u>1,262,697</u>	<u>266,049</u>	<u>295,421</u>
Total Revenue	<u>\$5,707,733</u>	<u>\$4,654,026</u>	<u>\$6,514,590</u>	<u>\$4,555,837</u>	<u>\$6,753,457</u>
Expenditures					
Current					
Urban redevelopment and housing	4,548,438	5,202,890	8,077,979	6,416,074	5,407,681
Capital outlay					
Debt service					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	<u>4,548,438</u>	<u>5,202,890</u>	<u>8,077,979</u>	<u>6,416,074</u>	<u>5,407,681</u>
Excess of Revenues Over (Under) Expenditures	<u>\$1,159,295</u>	<u>\$ (548,864)</u>	<u>\$(1,563,389)</u>	<u>\$(1,860,237)</u>	<u>\$1,345,776</u>
Other Financing Sources (Uses)					
Operating transfers in	251,543	127,641	100,000	-	-
Operating transfers out	<u>(17,871)</u>	<u>-</u>	<u>(15,427)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 233,672</u>	<u>\$ 127,641</u>	<u>\$ 84,573</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$1,392,967</u>	<u>\$ (421,223)</u>	<u>\$(1,478,816)</u>	<u>\$(1,860,237)</u>	<u>\$1,345,776</u>
Fund Balance – January 1	\$5,844,488	\$6,447,409	\$6,126,186	\$4,647,370	\$2,787,133
Residual Equity Transfers In (Out)	<u>(790,046)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance – December 31	<u>\$6,447,409</u>	<u>6,026,186</u>	<u>\$4,647,370</u>	<u>\$2,787,133</u>	<u>\$4,132,909</u>

Intergovernmental revenues include grants for specific purposes for which funds are not generally available. Charges for services consist primarily of charges to other funds for general overhead which, to a substantial degree are limited by federal requirements. Expenditures consist of salaries and general Agency administrative overhead and limited activities not accounted for in other Agency funds.

The Agency utilizes tax increment financing to finance many of its activities. By reason of recent changes in laws relating to real property taxes, future tax increment collections will be substantially reduced, resulting in a negative impact on certain Agency funds and a likely impact on the Agency's spending priorities.

Under existing law the Agency has authority to annually levy a property tax to support its operations, subject to approval by the Board of Estimate and Taxation of the City of Minneapolis and the Minneapolis City Council. Such tax, if levied in the maximum permitted amount, would provide approximately \$24 million of tax revenue annually. For the first time in more than 10 years, the Agency is requesting a levy payable in 2002 of \$12 million. This amount has been approved by the Board of Estimate and Taxation, but the City Council has not yet taken action.