

## NOTICE

\$37,470,000

Minnesota Housing Finance Agency  
Residential Housing Finance Bonds, 2002 Series G (AMT)

Offering Memorandum, dated July 25, 2002

The Offering Memorandum, dated July 25, 2002, has been posted on this website as a matter of convenience. The posted version of the Offering Memorandum has been formatted in Adobe Portable Document Format (Adobe Acrobat 5.0). Although this format should replicate the Offering Memorandum distributed on behalf of the Agency in connection with the issuance of the bonds, the appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat 5.0 may cause the Offering Memorandum that you view or print to differ from the Offering Memorandum.

The posting of the Offering Memorandum is not an offer to sell or a solicitation of an offer to buy any Bonds. *Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.*

The Agency may remove this copy of the Offering Memorandum from this website at any time.

This Offering Memorandum should be read in conjunction with the Official Statement, dated June 20, 2002, relating to the sale of the Minnesota Housing Finance Agency, Residential Housing Finance Bonds, 2002 Series E and 2002 Series F.

**NEW ISSUE**

*This Offering Memorandum has been prepared by the Minnesota Housing Finance Agency to provide information on the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read this Offering Memorandum in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Offering Memorandum.*



**\$37,470,000**

**Minnesota Housing Finance Agency  
Residential Housing Finance Bonds, 2002 Series G (AMT)**

**Dated: Date of Settlement**

**Due: As shown on inside front cover**

<i>Tax Exemption</i>	Interest on the above-captioned bonds (collectively, the "Series Bonds") is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. See pages 3-5 herein for additional information, including information on the application of federal and state alternative minimum tax provisions to the Series Bonds.
<i>Mandatory Tender or Redemption</i>	The Series Bonds are subject to mandatory tender at par (with no right to retain) or redemption on July 29, 2004. The Agency may establish an earlier mandatory tender or redemption date for all or a portion of the Series Bonds on or after July 31, 2003, as set forth on page 2 herein.
<i>Security</i>	On a parity with outstanding Bonds heretofore or hereafter issued under the Bond Resolution, by a pledge of Bond proceeds, Program Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. <i>The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Series Bonds and the Series Bonds are not a debt of the State.</i> See "Security for the Bonds" on pages 13-15 of the Official Statement.
<i>Interest Payment Dates</i>	Each January 1 and July 1, commencing January 1, 2003, and on any redemption date or mandatory tender date.
<i>Denominations</i>	\$5,000 or any integral multiple thereof.
<i>Closing/Settlement</i>	July 31, 2002 through the facilities of DTC in New York, New York.
<i>Bond Counsel</i>	Dorsey & Whitney LLP, Minneapolis, Minnesota.
<i>Underwriters' Counsel</i>	Kutak Rock LLP, Atlanta, Georgia.
<i>Trustee</i>	Wells Fargo Bank Minnesota, National Association, in Minneapolis, Minnesota.
<i>Book-Entry-Only System</i>	The Depository Trust Company. See Appendix B herein.

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, as to the validity and tax exemption of interest on the Series Bonds.

**UBS PaineWebber Inc.**  
**U.S. Bancorp Piper Jaffray Inc.** **RBC Dain Rauscher Inc.**  
**Salomon Smith Barney**

The date of this Offering Memorandum is July 25, 2002.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES**

**2002 SERIES G BONDS (AMT)**

**\$37,470,000 2.15% Series Bonds Due Not Later Than July 1, 2036 (CUSIP 60415NHD7)**

**(Mandatory Tender Date for all Series Bonds Not Later than July 29, 2004)**

**Price of all Series Bonds — 100%**

No dealer, broker, salesman or other person has been authorized by the Minnesota Housing Finance Agency or the Underwriters to give any information or representations, other than those contained in the Offering Memorandum and, if given or made, such other information or representations must not be relied upon as having been an offer to buy nor shall there be any sale of the Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Agency and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFERING MEMORANDUM**  
**relating to**  
**\$37,470,000**  
**Minnesota Housing Finance Agency**  
**Residential Housing Finance Bonds,**  
**2002 Series G**

**INTRODUCTION**

This Offering Memorandum (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency"), created by Minnesota Statutes, Chapter 462A, as amended (the "Act"), and its Residential Housing Finance Bonds, 2002 Series G (the "Series Bonds"), in connection with the offering and sale of the Series Bonds by the Agency and for the information of all who may become initial holders of the Series Bonds. The Series Bonds are being issued pursuant to the Act, a resolution of the Agency adopted as amended and restated on August 24, 1995, as further amended and supplemented (the "Bond Resolution"), and a series resolution of the Agency adopted on July 25, 2002 (the "Series Resolution"); the Bond Resolution and the Series Resolution are herein sometimes called the "Resolutions." The Residential Housing Finance Bonds now outstanding under the Bond Resolution and any additional Residential Housing Finance Bonds hereafter issued pursuant to the Bond Resolution, including the Series Bonds, will be equally and ratably secured and are herein sometimes called the "Bonds."

This Offering Memorandum should be read in conjunction with the Official Statement, dated June 20, 2002, and the Appendices thereto, relating to the sale of \$12,805,000 of the Agency's Residential Housing Finance Bonds, 2002 Series E (the "2002 Series E Bonds"), and \$52,195,000 of its Residential Housing Finance Bonds, 2002 Series F (the "2002 Series F Bonds"), which is incorporated herein by reference. The 2002 Series E Bonds and the 2002 Series F Bonds are not being offered by this Offering Memorandum.

A brief description of the Series Bonds is included in this Offering Memorandum. Brief descriptions of the Authority, the security for the Bonds, the Agency's Residential Housing Finance Program (the "Program"), other programs of the Agency and the Bond Resolution are included in the Official Statement. Information regarding continuing disclosure, the book-entry-only system for the Series Bonds and the proposed form of the opinion of Bond Counsel, are included as Appendices A, B and C, respectively, to this Offering Memorandum. The financial statements of the General Reserve Account and the Residential Housing Finance Program Fund as of and for the years ended June 30, 2001 and June 30, 2000, and as of and for the nine months ended March 31, 2002 are included in Appendix A to the Official Statement. The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Offering Memorandum and the Official Statement. The summaries and references to the Act, the Resolutions and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

The Series Bonds are being issued to provide money for the Agency to be used, along with certain contributed funds of the Agency, to continue its Program by purchasing Program Loans made by Lenders to low and moderate income persons for single family, owner-occupied housing within the State, by depositing certain amounts, if any, into the Debt Service Reserve Fund and Insurance Reserve Fund and by paying certain costs of issuance of the Series Bonds. No proceeds of the Series Bonds will be disbursed to purchase Program Loans until all or a portion of the Series Bonds are remarketed or refunded at long-term fixed interest rates. The Agency may acquire certain Program Loans from its other funds and reimburse such funds from proceeds of the Series Bonds upon any such remarketing or refunding. See "Estimated Sources and Uses of Funds — Series Bonds."

## DESCRIPTION OF THE SERIES BONDS

### General

The Series Bonds are issuable only as fully registered bonds and will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), who will act as securities depository for the Series Bonds. Wells Fargo Bank Minnesota, National Association, in Minneapolis, Minnesota, is to serve as Trustee. Interest on the Series Bonds is payable by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds is payable at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. See “Appendix B — Book-Entry-Only System.”

The Series Bonds are issuable in the denominations of \$5,000 or any integral multiple thereof. For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

The Series Bonds will be dated, as originally issued, as of their date of original delivery and will bear interest from the date of original issue to July 29, 2004 (a “Mandatory Tender Date”), at the interest rate set forth on the inside front cover hereof, payable semiannually on each January 1 and July 1, commencing January 1, 2003, and on each redemption date and on such Mandatory Tender Date. The Agency may establish a prior Mandatory Tender Date with respect to all or part of the Series Bonds upon 15 days’ prior written notice; provided, however, that any such Mandatory Tender Date with respect to all or part of the Series Bonds shall be no earlier than July 31, 2003. Interest on the Series Bonds shall be calculated on the basis of a year of 360 days composed of twelve 30-day months and will be payable to the Owners of record as of the 15th day prior to the date of payment, whether or not a business day.

### Mandatory Tender of Series Bonds Prior to Conversion

All of the Series Bonds are subject to mandatory tender (*without any right to retain*) on any Mandatory Tender Date. The Agency may also redeem any Series Bonds on any Mandatory Tender Date with respect to such Series Bonds, at a price of par, plus accrued interest, without premium.

On a Mandatory Tender Date, any Series Bonds subject to mandatory tender or redemption on such date are to be purchased or redeemed, as applicable, at a price of par plus interest accrued and unpaid to such date, without premium. Any Series Bonds required to be tendered may, at the option of the Agency, be converted to bear interest at a short-term rate or at fixed rates to their respective maturities.

The Series Resolution for the Series Bonds provides that certain of the Series Bonds, after conversion of such Series Bonds to a fixed interest rate, are subject to sinking fund redemption, optional redemption, special redemption and mandatory tender upon the occurrence of certain events.

## ESTIMATED SOURCES AND USES OF FUNDS — SERIES BONDS

The estimated sources and uses of funds related to the Series Bonds, exclusive of accrued interest, are as follows:

*Sources:*

Principal Amount of Series Bonds .....	\$ 37,470,000
Agency Contribution .....	<u>185,035</u>
Total Sources of Funds .....	<u>\$37,655,035</u>

*Uses:*

Deposit to Acquisition Account.....	\$37,470,000
Deposit to Cost of Issuance Account .....	50,000
Underwriters' Compensation .....	<u>135,035</u>
Total Uses of Funds .....	<u>\$37,655,035</u>

Proceeds of the Series Bonds deposited into the Acquisition Account will not be used to make or purchase Program Loans until such time as the Series Bonds are remarketed or refunded in whole or in part on a long-term basis. The Agency may acquire certain Program Loans from its other funds and reimburse such funds from proceeds of the Series Bonds upon any such remarketing or refunding.

### **DISCLOSURE INFORMATION**

The Agency will covenant for the benefit of the Beneficial Owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the "Agency Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Agency Annual Report is to be filed by the Agency no later than nine months after the close of each fiscal year with each Nationally Recognized Municipal Securities Information Repository (a "Repository"). The notices of material events, if any, are to be filed with each of the Repositories or with the Municipal Securities Rulemaking Board.

The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption "Appendix A — Summary of Continuing Disclosure Agreement." These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

In addition to the Agency Annual Report required by the Continuing Disclosure Agreement, the Agency also uses its best efforts to prepare a quarterly disclosure report for each of its single family bond resolutions and a semiannual disclosure report for each of its multifamily bond resolutions. Recent reports are available at the Agency's website at [http://www.mhfa.state.mn.us/investor/investor\\_home.htm](http://www.mhfa.state.mn.us/investor/investor_home.htm). The Reports are also sent to the Repositories. The Residential Housing Finance Bond Resolution Disclosure Reports generally are filed quarterly. The most recent report is dated as of March 31, 2002. The Agency is also committed to providing appropriate credit information as requested by the rating agencies rating the securities.

### **RESIDENTIAL HOUSING FINANCE PROGRAM**

Under the Bond Resolution, the Agency may issue Bonds to make or purchase Program Obligations in order to provide financing for housing for low and moderate income persons, including financing for single family loans, home improvement loans, multifamily loans and other housing-related loans, and to secure such loans in such manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans which are unsecured. All series of Bonds issued under the Bond Resolution will be secured on a parity. The proceeds of the Series Bonds will be used to purchase Program Loans consisting of single-family loans when all or a portion of the Series Bonds are remarketed or refunded at long-term fixed interest rates. The Agency does not currently anticipate that future series of Bonds issued under the Bond Resolution will finance Program Obligations other than single family loans or home improvement loans.

All series resolutions adopted to date have provided for the issuance of Bonds under the Bond Resolution for the purpose of financing single family mortgage loans. For a general description of the Agency's current single family housing program under the Bond Resolution, which is subject to change from time to time, see the Official Statement relating to the 2002 Series E Bonds and 2002 Series F Bonds under the caption "Program Loans To Be Made From Series Bonds."

The Agency expects to issue its Residential Housing Finance Bonds, 2002 Series H in the approximate aggregate principal amount of \$20,000,000 in August 2002 on a taxable basis and bearing interest at a variable rate. The proceeds of the 2002 Series H Bonds are expected to be used to reimburse the Agency for the cost of acquiring certain home improvement loans with its own funds and to finance the purchase of additional home improvement loans. In general, the loans will have varying terms and interest rates, which are not designed or expected to correspond to the payment of debt service or to the term of the 2002 Series H Bonds. As a result, the Agency may

pledge to payment of Bonds home improvement loans in addition to those financed by the 2002 Series H Bonds in order to permit the issuance of the 2002 Series H Bonds under the Bond Resolution, which requires, among other things, that the issuance of additional Bonds not impair the then existing rating on any Outstanding Bonds, including the Series Bonds. (See “Security for the Bonds — Additional Bonds” in the Official Statement.) The 2002 Series H Bonds are not being offered by this Offering Memorandum.

## TAX EXEMPTION AND RELATED CONSIDERATIONS

### General

The Series Bonds are subject to the requirements of Sections 143 and 148 and certain other sections of the Internal Revenue Code of 1986, as amended (the “Code”).

The loan eligibility requirements of Section 143 applicable to Program Loans funded in whole or in part with proceeds of the Series Bonds are that (1) the Home on which the Program Loan is made is a single family residence which, at the time the Program Loan is made, is or can reasonably be expected within a reasonable time to become the principal residence of the Mortgagor and is located in the State; (2) except in certain limited circumstances, no part of the proceeds is to be used to acquire or replace any existing mortgage; (3) the “acquisition cost” of the Home meets certain limits; (4) the family income of the Mortgagor meets certain limits; (5) with certain exceptions, the Mortgagor shall not have had a present ownership interest in his principal residence during the preceding three years; and (6) the Program Loan shall not be assumable unless the requirements of (1), (3), (4) and (5) above are met at the time of the assumption. An issue is treated as meeting the loan eligibility requirements of Section 143 if (1) the issuer in good faith attempted to meet all of the requirements before the loans were executed; (2) 95% or more of the proceeds of the issue used to finance loans were devoted to residences which met all such requirements at the time the loans were executed or assumed; and (3) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered.

The Code also imposes additional requirements to maintain the exclusion from gross income for federal income tax purposes of interest on the Series Bonds. For example, the Code limits the amount of the costs of issuance which may be paid from the proceeds of the Series Bonds and limits the size of reserve funds established with the proceeds of the Series Bonds. In addition, the Code imposes, on a continuing basis, limitations on investment of the proceeds of the Series Bonds and requires earnings on non-mortgage investments in excess of the yield on the Series Bonds to be rebated to the United States.

The Agency has included provisions in the Resolutions, the Manual and other relevant documents, and has established procedures (including receipt of certain affidavits and warranties from Lenders, Mortgagors and others respecting the mortgage eligibility requirements) in order to ensure compliance with the requirements of the Code which must be met subsequent to the date of original issuance of the Series Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest on the Series Bonds will be excludable from federal gross income and not to permit any proceeds of the Series Bonds to be used in a manner which violates any of the restrictions contained in applicable federal law. In the opinion of Bond Counsel, the Manual and the Agency’s covenants in the Resolutions establish procedures under which the requirements of applicable federal law can be met. Noncompliance with the requirements in the Manual and Resolutions may cause interest on the Series Bonds to become includable in the federal gross income of the owners thereof retroactive to the date of issue.

Assuming compliance with certain covenants in the Manual and Resolutions intended to assure compliance with the Code and with the procedures established by the Agency, in the opinion of Dorsey & Whitney LLP, Bond Counsel, under existing laws, regulations, rulings and decisions, interest on the Series Bonds is not includable in gross income of the owners thereof for federal income tax purposes.

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. *In the opinion of Bond Counsel, interest on the Series Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum taxable income of individuals and corporations.*

Prospective purchasers of the Series Bonds should also be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for



loss reserves by 15 percent of the sum of certain items, including interest on the Series Bonds, (ii) interest on the Series Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) interest on the Series Bonds may be included in the net investment income of foreign insurance companies for purposes of computing the tax imposed by Section 842(b) of the Code, (iv) passive investment income, including interest on the Series Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have accumulated earnings and profits at the close of the taxable year if greater than 25 percent of the gross receipts of such Subchapter S corporation is passive investment income, and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series Bonds.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in income for purposes of calculating the Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Series Bonds is includable in the income of financial institutions and corporations for purposes of the Minnesota franchise tax.

The above summary of possible indirect tax consequences is not exhaustive. All purchasers of the Series Bonds, particularly purchasers that are corporations (including Subchapter S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, foreign insurance companies, banks, thrifts or other financial institutions, or certain recipients of Social Security and Railroad Retirement benefits, should consult their tax advisors regarding other possible federal and state income tax consequences of ownership of the Series Bonds.

### **Certain State Tax Legislation**

The 1995 State Legislature enacted a statement of intent, codified as Minnesota Statutes, Section 289A.50, subdivision 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, trusts and estates for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest unlawfully discriminates against interstate commerce because interest on obligations of governmental issuers in other states is so included. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. No similar legislation was proposed or approved during recent legislative sessions. The Agency is not aware of any judicial decision holding that a state's exemption of interest on its own bonds or those of its political subdivisions or Indian tribes, but not of interest on the bonds of other states or their political subdivisions or Indian tribes, unlawfully discriminates against interstate commerce or otherwise contravenes the United States Constitution. Nevertheless, the Agency cannot predict the likelihood that interest on the Series Bonds would become taxable (for Minnesota income tax purposes) under this Minnesota statutory provision.

### **LEGAL MATTERS**

The validity of and the tax exemption of interest on the Series Bonds are subject to the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix C attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia.

### **FINANCIAL ADVISOR**

The Agency has appointed Evensen Dodge, Inc., Minneapolis, Minnesota, to serve as financial advisor to the Agency on matters related to the issuance of the Series Bonds.

## **UNDERWRITERS**

The Series Bonds are being purchased, by the Underwriters, for which UBS PaineWebber Inc., U.S. Bancorp Piper Jaffray Inc., RBC Dain Rauscher Inc. and Salomon Smith Barney Inc. are acting as Managers. The Underwriters are to be paid a fee of \$135,034.76 with respect to the purchase of such Series Bonds. The Underwriters may offer and sell such Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

## **MISCELLANEOUS**

This Offering Memorandum is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statement made or incorporated in this Offering Memorandum involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Offering Memorandum is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Offering Memorandum have been duly authorized by the Agency.

## **MINNESOTA HOUSING FINANCE AGENCY**

By: KATHERINE G. HADLEY  
Authorized Officer

Dated: July 25, 2002.

**SUMMARY OF CONTINUING DISCLOSURE AGREEMENT**

*The following statements are extracted provisions of the Continuing Disclosure Agreement between the Agency and the Trustee.*

**Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Agency Annual Report” shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Agency Disclosure Representative” shall mean such officer of the Agency or a designee, or such other person or agent of the Agency as the Commissioners shall designate in writing to the Trustee from time to time.

“Beneficial Owners” shall mean (1) in respect of a Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“Listed Events” shall mean any of the events listed below under the heading “Reporting of Significant Events.”

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (“1934 Act”).

“State Repository” shall mean any public or private repository or entity as may be designated by the State as a state information depository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

***Provision of Annual Reports.***

(a) The Agency shall, no later than nine months after the close of each fiscal year, commencing with the fiscal year ended June 30, 2002, provide to each Repository and to the Trustee, an Agency Annual Report in compliance with the requirements of Section 4 of this Disclosure Agreement.

(b) If on the date specified in subsection (a) for providing the Agency Annual Report to Repositories, the Trustee has not received a copy of the Agency Annual Report, the Trustee shall contact the Agency Disclosure Representative to determine if the Agency is in compliance with subsection (a). If the Trustee determines that the Agency has not filed its Agency Annual Report, when due, the Trustee shall file a notice with the Repositories as set forth in Exhibit A and as required by Rule 15c2-12(b)(5)(i)(D).

***Content of Annual Reports.*** The Agency's Annual Report shall contain or include by reference the following:

Audited financial statements of the Agency for its prior fiscal year reporting on the balance sheets of the Agency's Residential Housing Finance Fund and the General Reserve Account of the Housing Development Fund and related statements of revenues and expenses and changes in restricted fund balances and of cash flows. If, on the date the Agency is required to provide the Agency Annual Report, the Agency has not received a report of independent auditors, the Agency shall provide the Repositories and the Trustee with its unaudited financial statements prepared in substantially the format of its audited financial statements.

Any or all of the items listed above may be provided by reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories. If the document provided by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so incorporated by reference in the Agency's Annual Report.

The accounting principles used by the Agency in the preparation of its financial statements are generally accepted accounting principles, referred to as "GAAP."

***Reporting of Significant Events.***

(a) This section shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, other than items 8 and 9, inform the Agency Disclosure Representative of the occurrence of the event.

(c) Whenever the Agency obtains actual knowledge of the occurrence of a Listed Event, the Agency shall, as soon as practicable, take such steps as are necessary to determine if such event would constitute material information within the meaning of cases decided under the 1934 Act.

(d) If the Agency has determined that the occurrence of a Listed Event is material within the meaning of cases decided under the 1934 Act, the Agency Disclosure Representative shall promptly notify the Trustee in writing. Such notice shall inform the Trustee that the occurrence is being reported by the Agency or instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to information received from the Trustee under subsection (b), the Agency determines that the Listed Event would not be material within the meaning of cases decided under the 1934 Act, the Agency Disclosure Representative shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Agency Disclosure Representative to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with each National Repository or the Municipal Securities Rulemaking Board and each State Repository.

(g) Notice of Listed Events described in subsections (a) (8) and (9) need not be given under this section any earlier than notice of the underlying event is given to Holders of affected Bonds pursuant to the Resolution. Nothing in this Disclosure Agreement supercedes the Trustee duties under the Resolution with respect to notices of redemption or notices in connection with defeasance of Bonds.

**Management Discussion of Items Disclosed in Annual Reports or as Significant Events.** If an item required to be disclosed in the Agency's Annual Report, or as a Listed Event, would be misleading without discussion, the Agency shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in the context in which it is made.

**Termination of Reporting Obligation.** The Agency's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds in accordance with the Resolution.

**Substitution of Obligated Person.** The Agency shall not transfer its obligations under the Resolution unless the transferee agrees to assume all the obligations of the Agency under this Disclosure Agreement.

**Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Agency and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Agency), and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel experienced in federal securities laws, acceptable to each of the Agency and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

**Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Agency Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Agency Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Agency Annual Report or notice of occurrence of a Listed Event.

**Default.**

(a) In the event of a failure of the Agency to provide to the Repositories the Agency Annual Report as undertaken by the Agency in this Disclosure Agreement, the Beneficial Owner of any Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency to comply with its obligations to provide Annual Reports under this Disclosure Agreement.

(b) Notwithstanding the foregoing, no Beneficial Owner shall have the right to challenge the content or adequacy of the information provided pursuant to this Disclosure Agreement by mandamus, specific performance or other equitable proceedings unless Beneficial Owners of Bonds representing at least 25% aggregate principal amount of outstanding Bonds shall join in such proceedings.

(c) A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

**BOOK-ENTRY-ONLY SYSTEM****Book-Entry-Only System**

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond of each maturity in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. is the Registered Owner of the Series Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of such Series Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of such Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “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 Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for Series Bonds is discontinued as described below.

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

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 will be sent to DTC. If less than all of the Series Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

Under the Series Resolution, payments made by or on behalf of the Agency to DTC or its nominee shall satisfy the Agency's obligations under the Resolutions to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriters as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

*The Agency, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Offering Memorandum. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.*

*Neither the Agency, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolutions to be given to owners of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.*

### **Discontinuation of Book-Entry System**

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Series Bonds are required to be delivered as described in the Series Resolution. The Beneficial Owner, upon registration of such Series Bonds held in the Beneficial Owner's name, shall become the Bondowner.

The Agency may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository) for the Series Bonds. In such event, the Series Bonds are to be delivered as described in the Series Resolution.



**APPENDIX C**

**OPINION OF BOND COUNSEL**

# DORSEY & WHITNEY LLP

MINNEAPOLIS  
SEATTLE  
NEW YORK  
WASHINGTON, D.C.  
DENVER  
SAN FRANCISCO  
LONDON  
DES MOINES  
ANCHORAGE  
SALT LAKE CITY  
FARGO  
SOUTHERN CALIFORNIA

SUITE 1500  
50 SOUTH SIXTH STREET  
MINNEAPOLIS, MINNESOTA 55402-1498  
TELEPHONE: (612) 340-2600  
FAX: (612) 340-2868  
www.dorseylaw.com

BRUSSELS  
NORTHERN VIRGINIA  
TOKYO  
PALO ALTO  
HONG KONG  
GREAT FALLS  
ROCHESTER  
TORONTO  
MISSOULA  
SHANGHAI  
VANCOUVER

[To be dated the date of issuance of the 2002 Series G Bonds]

Minnesota Housing Finance Agency  
St. Paul, Minnesota

Re: Minnesota Housing Finance Agency  
Residential Housing Finance Bonds, 2002 Series G

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, issuance and delivery by the Minnesota Housing Finance Agency (the "Agency") of its Residential Housing Finance Bonds, 2002 Series G, in the aggregate principal amount of \$37,470,000 (the "2002 Series G Bonds"), which are issuable only as fully registered bonds in the principal amount of \$5,000 or any integral multiple thereof.

The 2002 Series G Bonds are dated, mature on the dates, bear interest at the rates and are payable as set forth in the Series Resolution referenced below. The 2002 Series G Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, and to mandatory tender for purchase at par, as provided in the Series Resolution.

In this connection, we have examined certificates as to facts, estimates and circumstances and certified copies of resolutions and proceedings of the Agency and other documents considered necessary as the basis for this opinion, including the Agency's Amended and Restated Bond Resolution adopted August 24, 1995, as amended and supplemented, and the Series Resolution adopted July 25, 2002. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Applicable federal tax law, including certain provisions of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 2002 Series G Bonds in order that interest on the 2002 Series G Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolution to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond and Series Resolutions.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond and Series Resolutions have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Program Obligations, Investment Obligations, Revenues, moneys and other assets held and to be set aside under the Bond and Series Resolutions; (3) the 2002 Series G Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and

**DORSEY & WHITNEY LLP**

Minnesota Housing Finance Agency

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secured by the covenants contained in the Bond and Series Resolutions, and are further secured by the pledge of the full faith and credit of the Agency, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2002 Series G Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2002 Series G Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; and (5) the interest payable on the 2002 Series G Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the 2002 Series G Bonds will be treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and in calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal or state tax consequences arising from the ownership or disposition of the 2002 Series G Bonds. All owners of 2002 Series G Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2002 Series G Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2002 Series G Bonds and the Bond and Series Resolutions may be limited by general principles of equity and by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditor's rights heretofore or hereafter enacted.

Dated: \_\_\_\_\_, 2002.

Respectfully yours,