HIGHER EDUCATION
FACILITIES AUTHORITY
380 JACKSON ST., STE. 450
ST. PAUL, MN 55101-3899

OFFICIAL STATEMENT DATED JULY 17, 1991

NEW ISSUE

Rating: Requested from Moody's Investors Service

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

$4,430,000

Minnesota Higher Education Facilities Authority

Revenue Bonds, Series Three-A

(Trustees of the Hamline University of Minnesota)

Dated Date: August 1, 1991

Interest Due: April 1 and October 1, commencing April 1, 1992

The Bonds will mature annually on October 1 as follows:

1992	$ 75,000	1997	$190,000	2002	$320,000	2007	$235,000
1993	$145,000	1998	$225,000	2003	$345,000	2008	$255,000
1994	$160,000	1999	$240,000	2004	$190,000	2009	$270,000
1995	$165,000	2000	$260,000	2005	$205,000	2010	$450,000
1996	$180,000	2001	$300,000	2006	$220,000		

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), all Bonds maturing on or after October 1, 2001 may be redeemed prior to maturity commencing October 1, 2000, and in whole on any date thereafter or in part on any interest payment date thereafter. The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture and in the event of a Determination of Taxability, as described herein.

Bids must be for not less than $4,350,000 and accrued interest on the total principal amount of the Bonds and must be accompanied by a certified or cashier's check in the amount of $44,300, payable to the order of the Authority. Bidders shall specify rates in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. The Bonds will be issued in integral multiples of $5,000, and are fully registered as to principal and interest. Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as Trustee, Registrar and Paying Agent.

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

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than par with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the Underwriters of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than par until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale.

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

BID OPENING: July 31, 1991 (Wednesday) at 11:00 A.M., Central Time
AWARD: July 31, 1991 (Wednesday) at 2:00 P.M., Central Time

SPRINGSTED
PUBLIC FINANCE ADVISORS

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101 (612) 223-3000.

This Official Statement constitutes a "near-final" Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission and, when supplemented by an addendum prepared by the Authority or Springsted Incorporated as its Financial Advisor and specifying the maturity dates, principal amounts and interest rates of the Bonds together with certain additional information as more fully provided in Section 3 of the Terms and Conditions of Contract of Sale (the "Terms and Conditions") set forth on the Official Bid Form to be executed by the Authority and the Purchaser in connection with the sale of the Bonds, shall constitute a "Final Official Statement" of the Authority as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

No dealer, broker, salesman or other person has been authorized by the Authority or the University to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by either the Authority or the University. The information contained herein, except as it relates to the Authority, has been obtained from the University and is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE UNIVERSITY SINCE THE DATE THEREOF.

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

Reference is made to the Official Terms of Offering set forth in this Official Statement and the Terms and Conditions for information relating to registration and reoffering the Bonds under the Minnesota Securities Act and certain obligations of the Authority and the Underwriters with respect to the preparation and delivery of the Final Official Statement.

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Carol A. Blomberg, Chair	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota.
Kathryn D. Jarvinen, Vice Chair	Hospital Administrator, Winona, Minnesota.
Jack Amundson, Secretary	Partner, McMahon, Hartmann, Amundson & Co., Saint Cloud, Minnesota.
Kathryn Balstad Brewer	New Brighton, Minnesota.
Earl R. Herring	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
Fred Hsiao	President, Shaw/Lundquist Associates, Saint Paul, Minnesota.
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
Tom Martinson	Principal, Private City Planning Practice, Minneapolis, Minnesota.
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota.
Catherine M. Warrick	Faculty Member, Metropolitan State University, Saint Paul, Minnesota.

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL TERMS OF OFFERING

$4,430,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES THREE-A

(Trustees of the Hamline University of Minnesota)

Sealed bids for the Bonds will be received and will be opened by Dr. Joseph E. LaBelle, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or his duly appointed representative on Wednesday, July 31, 1991 at 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690. Consideration for award of the Bonds will be by the Board of the Authority at its meeting at 2:00 P.M., Central Time, of the same day.

DETAILS OF THE BONDS

The Bonds will be dated August 1, 1991, as the date of original issue, and will bear interest payable on April 1 and October 1 of each year, commencing April 1, 1992. Interest will be computed upon the basis of a 360-day year of 12 30-day months and will be rounded pursuant to rules of the MSRB. The Bonds will be issued in the denomination of $5,000 each, or in integral multiples thereof as requested by the Purchaser, and fully registered as to principal and interest. Principal will be payable at the main corporate office of the Trustee and interest on each Bond will be payable by check or draft of the Trustee mailed to the registered holder thereof at his address as it appears on the books of the Trustee as of the 15th day of the calendar month next preceding the interest payment.

The Bonds will mature annually on October 1 in the amounts and years as follows:

1992	$ 75,000	1997	$190,000	2002	$320,000	2007	$235,000
1993	$145,000	1998	$225,000	2003	$345,000	2008	$255,000
1994	$160,000	1999	$240,000	2004	$190,000	2009	$270,000
1995	$165,000	2000	$260,000	2005	$205,000	2010	$450,000
1996	$180,000	2001	$300,000	2006	$220,000		

The Bonds will bear additional interest at a rate of 2.00% per annum in the event of a Determination of Taxability as described in the Loan Agreement and the Trust Indenture.

OPTIONAL REDEMPTION

At the option of the Authority all Bonds maturing on or after October 1, 2001 may be redeemed prior to maturity commencing October 1, 2000. Redemption may be on any date if in whole or on any interest payment date if in part of the Bonds subject to prepayment, and if in part, in any maturity or maturities as the University shall direct and by lot within a maturity in integral multiples of $5,000.

The Bonds are also subject to redemption in whole on any date or in part on any interest payment date in certain events of damage or destruction described in a Loan Agreement between the University and the Authority and a Trust Indenture between the Authority and the Trustee, or in the event of a Determination of Taxability as defined therein. All prepayments shall be at a price of par and accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the University pursuant to the Loan Agreement or from other amounts pledged therefor pursuant to the Trust Indenture. Pursuant to the Loan Agreement, loan repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due are a full faith and credit obligation of the University. The Bonds are additionally secured by a debt service reserve in an amount equal to 10% of the principal amount of the Bonds, unless such amount exceeds 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale) in which case the debt service reserve will be in the amount of such lesser sum. **The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority, or the State of Minnesota, or the taxing powers of the State, are pledged.** The Authority has no taxing powers. The proceeds will be used for refunding in advance of their maturity the remaining $1,550,000 of the Authority's Series Two-G Revenue Bonds issued on behalf of the University, renovation of Manor House, Sorin Hall and Drew Hall Residences, purchase and installation of an emergency generator system and various other signage, maintenance and remodeling projects at various locations, all on the campus of the University in Saint Paul, Minnesota.

TYPE OF BID

A sealed bid for not less than $4,350,000 and accrued interest on the total principal amount of the Bonds shall be filed by an eligible bidder with the undersigned on the Official Bid Form prior to the time set for the opening of bids. Bids shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of $44,300, payable to the order of the Authority. If a check is used, it must accompany each bid. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted Incorporated prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a bidder using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted Incorporated in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted bid, said amount will be retained by the Authority. No bid can be withdrawn after the time set for receiving bids unless the meeting of the Authority scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates offered by bidders shall be in integral multiples of 5/100 or 1/8 of 1%. No basic rate of interest specified for a maturity shall exceed the basic rate of interest specified for any subsequent maturity. Bonds of the same maturity shall bear a single basic rate from the date of the Bonds to the date of maturity.

AWARD

Subject to the Authority's reservation of rights as described below, the Bonds will be awarded to the bidder offering the lowest dollar interest cost to be determined by the deduction of the premium, if any, from, or the addition of any amount less than par to, the total dollar interest on the Bonds from their date to their final scheduled maturity. The Authority's computation of the total net dollar interest cost of each bid, in accordance with customary practice, will be controlling.

The Authority reserves the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause, or, (iii) reject any bid which the Authority determines to have failed to comply with the terms herein.

TERMS AND CONDITIONS OF CONTRACT OF SALE

In addition to the provisions of the Official Terms of Offering, the sale of the Bonds will be subject to the Terms and Conditions of Contract of Sale set forth on the Official Bid Form. Reference is made to the Official Bid Form for a complete statement of the Terms and Conditions of Contract of Sale.

REOFFERING OF BONDS

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than par with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the Underwriters of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than par until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale set forth on the Official Bid Form to be executed by the Authority and the Underwriters in connection with the sale of the Bonds.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay the fee for the requested rating. Any other rating agency fees shall be the responsibility of the Purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds.

TRUSTEE/REGISTRAR/PAYING AGENT

The Trustee will be Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, which shall also act as Registrar and Paying Agent.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will be distributed and designated as a "near-final" Official Statement as required by Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement and the Official Bid Form or for any additional information prior to sale, any prospective purchaser is referred to the Financial

Advisor of the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (612) 223-3000.

The Official Statement, when supplemented by an addendum prepared by the Authority or its Financial Advisor and specifying the maturity dates, principal amounts and interest rates of the Bonds, together with certain additional information as more fully described in Section 3 of the Terms and Conditions of Contract of Sale (the "Terms and Conditions") set forth on the Official Bid Form to be executed by the Authority and the purchaser or purchasers (the "Underwriters") of the Bonds, shall constitute a "Final Official Statement" of the Authority, as that term is defined in Rule 15c2-12. Pursuant to the Terms and Conditions, the Authority shall agree that, no more than seven business days after the award of sale of the Bonds (unless the Underwriters fail to comply with the obligation to provide certain information as required by Section 1 of the Terms and Conditions), it shall provide without cost to the Underwriters c/o the Account Manager 200 copies of such Final Official Statement and shall designate the Account Manager as its agent for purposes of distributing copies of the Final Official Statement to each of the Underwriters named on the Official Bid Form.

SETTLEMENT

It is expected that on or about August 20, 1991, the Bonds will be delivered without cost to the Purchaser at the office of the Authority or at such other place mutually satisfactory to the Authority and the Purchaser. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Faegre & Benson of Minneapolis, Minnesota, as to the validity and exemption of the Bonds from federal and State of Minnesota income tax, which opinion will be printed on the Bonds, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the University by its counsel, Oppenheimer Wolff & Donnelly, Saint Paul, Minnesota. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Trustee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority, or its agents, the Purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the Purchaser's non-compliance with said terms of payment.

Dated June 26, 1991

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ Joseph E. LaBelle
Executive Director

SCHEDULE OF BOND YEARS

$4,430,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES THREE-A

Year	Principal	Bond Years	Cumulative Bond Years	
1992	$75,000	87.5000	87.5000	______
1993	$145,000	314.1667	401.6667	______
1994	$160,000	506.6667	908.3334	______
1995	$165,000	687.5000	1,595.8334	______
1996	$180,000	930.0000	2,525.8334	______
1997	$190,000	1,171.6667	3,697.5001	______
1998	$225,000	1,612.5000	5,310.0001	______
1999	$240,000	1,960.0000	7,270.0001	______
2000	$260,000	2,383.3333	9,653.3334	______
2001	$300,000 c	3,050.0000	12,703.3334	______
2002	$320,000 c	3,573.3333	16,276.6667	______
2003	$345,000 c	4,197.5000	20,474.1667	______
2004	$190,000 c	2,501.6667	22,975.8334	______
2005	$205,000 c	2,904.1667	25,880.0001	______
2006	$220,000 c	3,336.6667	29,216.6668	______
2007	$235,000 c	3,799.1667	33,015.8335	______
2008	$255,000 c	4,377.5000	37,393.3335	______
2009	$270,000 c	4,905.0000	42,298.3335	______
2010	$450,000 c	8,625.0000	50,923.3335	______

Average Maturity: 11.50 Years

Bonds Dated: August 1, 1991

Interest Due: April 1, 1992 and each October 1 and April 1 to maturity.

Principal Due: October 1, 1992-2010 inclusive.

Optional Call: Bonds maturing on or after October 1, 2001 are callable commencing October 1, 2000 at par. (See Official Terms of Offering.)

c: subject to optional call

OFFICIAL STATEMENT

$4,430,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES THREE-A

(Trustees of the Hamline University of Minnesota)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the Trustees of the Hamline University of Minnesota as owner and operator of Hamline University (the "University"), an institution of higher education located in Saint Paul, Minnesota, in connection with the issuance of the Authority's $4,430,000 Revenue Bonds, Series Three-A (Trustees of the Hamline University of Minnesota), (the "Bonds", the "Series Three-A Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the University and the Authority, the University will covenant as a general obligation of the University to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the University by the Authority to refund in advance of maturity the remaining $1,550,000 principal amount of the Authority's $1,970,000 Revenue Bonds, Series Two-G, issued on behalf of the University (the "Series Two-G Bonds"); and to finance (a) renovation, equipping and repairs to Manor House, Sorin and Drew Halls, Bush Library, Old Main and the swimming pool facility; (b) the purchase and installation of an emergency generator; (c) the purchase and installation of signage throughout the campus; and (d) maintenance and remodeling projects at various campus locations, including acquisition and installation of replacement windowns and sidewalks and security lighting and appurtenant site improvements and all to be owned and operated by the University and located on its campus of the Project Site, as more fully described in "THE PURPOSE OF THE BONDS," page 7 herein.

The Bonds are secured by a pledge of the Loan Repayments, a general obligation of the University, and by a Reserve Account.

The Reserve Account will be funded in the amount of 10% of the par amount of the Bonds, unless such amount exceeds 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale) in which case the Reserve Account will be funded in the amount of such lesser sum (the "Reserve Requirement").

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

The Bonds are not secured by the Authority's General Bond Reserve.

The foregoing Introductory Statement is a summary only. For more specific explanations, reference should be made to the following pages and appendices of this Official Statement.

RISK FACTORS

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

Risk of Insufficient Collateral

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

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made principally from Loan Repayments of the University. The University's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to conditions and factors, many of which are beyond the control of the University and may change in the future to an extent that cannot be presently determined.

Dependence on Tuition and Enrollment

The adequacy of University revenues will be largely dependent on the amount of future tuition revenue received by the University. Such revenue in turn will depend primarily on the ability of the University to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the University. A number of factors, including, without limitation, increases in University tuition rates, competition from other colleges, a decline in the number of college age students generally (which is expected for the near future), and adverse general economic conditions will influence the number of applicants to the University.

Financial Aid

Approximately 73% of the University's students currently receive some Federal or State financial aid covering tuition and fees or living expenses. No assurance can be given that Federal and State financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Damage or Destruction

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

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the University and computed pro forma debt service coverage is provided in APPENDIX I under the caption "Long-Term Debt Service and Pro Forma Coverage." The pro forma coverage assumes constant levels of University debt and revenue available to pay debt, which may not in fact occur in the future. The pro forma coverage is merely an illustrative computation as reflected in the applicable table, and constitutes no assurance as to the future sufficiency of University revenues to satisfy University operating costs and Bond and other debt service requirements.

Limited Obligation

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture or the Bonds or the other obligations of the University. Accordingly, for payment of principal, interest, premium, if any, on the Bonds, holders of the Bonds must look solely to the security under the Loan Agreement and the Indenture.

Bankruptcy

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

Other Possible Risk Factors

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

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

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

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

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

THE BONDS

The Bonds will be dated August 1, 1991 and will mature annually each October 1, commencing October 1, 1992, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 1992.

The Bonds will be registered at the principal corporate trust office of Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee; the Trustee will also be the Registrar and Paying Agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Owner thereof or the Owner's authorized attorney satisfactory to the Trustee, subject to such reasonable regulations as the Trustee may prescribe, and shall be without expense to the Owner, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for new Bonds of the same maturity which may be of any authorized denominations so long as the aggregate principal amount thereof equals the aggregate principal sum of the Bonds surrendered. Payment of principal will be at the principal corporate trust office of the Trustee and payment of interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Authority.

Transfers shall not be made with respect to any Bonds called for redemption or during any period within fifteen days next prior to the required date for mailing or publication of notice of such redemption.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name the Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such defaulted interest may be paid by the Trustee on a "Special Record Date," as follows:

(a) Subject to the provisions of Article VII of the Indenture relating to application of money upon the occurrence of an Event of Default, upon receipt by the Trustee of any defaulted interest, the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall not be more than fifteen days nor less than ten days prior to the date of the payment set by the Trustee in its discretion, but not less than ten days after the receipt by the Trustee of such defaulted interest. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name of the Authority, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed first class postage prepaid, to each Holder at his address as it appears on the registration books on a date determined by the Trustee, but not less than ten days prior to such Special Record Date. The Trustee may, in its discretion in the name of the Authority, cause a similar notice to be published at least once in a Financial Journal, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the registered Owners on such Special Record Date and shall no longer be payable pursuant to the following paragraph (b).

(b) Subject to the provisions of Article VII of the Indenture, the Trustee may make payment of any defaulted interest on the Bonds in any other lawful manner, if after notice given to the Authority by the Trustee of the proposed payment pursuant to this paragraph (b), such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions, each Bond delivered under the Indenture upon transfer of, or in exchange for, or in lieu of, any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Prior Redemption

Bonds maturing on or after October 1, 2001 are subject to optional redemption on October 1, 2000, and in whole on any date thereafter or in part on any interest payment date thereafter, and if in part, in such order of maturity as the University shall direct and by lot within a maturity, in integral multiples of $5,000, at par plus accrued interest.

The Bonds will also be subject to optional redemption at par and accrued interest in integral multiples of $5,000, as a whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities, and upon a Determination of Taxability as provided in the Loan Agreement (see Appendix IV, "SUMMARY OF DOCUMENTS - The Loan Agreement"). If Bonds are redeemed in whole, they may be called on any date; if redeemed in part, redemption may be on any interest payment date.

Partial Redemption

In the case of Bonds of denominations greater than $5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the $5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than $5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the $5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

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

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue

Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the date of taxability effective until the respective dates on which the principal of the Bonds is paid. See "Tax Exemption" on pages 14 through 16 and Appendix III, "DEFINITION OF CERTAIN TERMS."

The University will have the option to prepay the Loan from the first practicable interest payment date, in full on any date thereafter and in part on any interest payment date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

Additional Bonds

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

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

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

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

4. The University furnishes evidence satisfactory to the Authority of the University's ability to meet debt service on the Additional Bonds and, to the extent required by the Authority, deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as the Authority may require, and executes supplements to the Loan Agreement and the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	
Bond Proceeds	$4,430,000
Series Two-G Bond Reserve	286,600
Total Sources	$4,716,600
Uses:	
Refunding of Series Two-G Bonds	$1,657,100
Project Costs	2,470,000
Capitalized Interest	57,900
Debt Service Reserve	443,000
Underwriters Discount and Issuance Costs	88,600
Total Uses	$4,716,600

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

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

PURPOSE OF THE BONDS

Refunding of Series Two-G Bonds

A portion of the net proceeds of the Bonds will be deposited in the Escrow Account and used to refund in advance of maturity the May 1, 1992 through 2001 maturities of the Series Two-G Bonds, in the principal amount of $1,550,000. Funds in the Escrow Account, held by the Series Two-G Trustee, will be invested in direct obligations of the United States government which will mature at such time and in sufficient amounts to pay the principal and interest due through May 1, 1992, and to redeem the 1993 through 2001 maturities on the first call date, May 1, 1992, at a price of par and accrued interest.

The Series Two-G Bonds, dated August 1, 1983, were originally issued by the Authority on behalf of the University to finance the cost of renovating Sorin Hall dining room and kitchen and refurbishing and repairing Manor House, Peterson, Osborn and Schilling Residence Halls on the University's campus.

Actuarial services necessary to certify the adequacy of the Escrow Account to provide timely payment of debt service on the Series Two-G Bonds will be performed by a certified public accounting firm.

The Project

The Project consists of the following components:

1. The renovation of Manor House, Sorin Hall and Drew Hall, which are three University residence facilities. The total estimated cost of the residence facilities renovations is $1,500,000.

2. The purchase and installation of an emergency generator and requisite wiring at an approximate cost of $400,000.

3. The purchase and installation of campus-wide signage at an approximate cost of $150,000.

4. Miscellaneous safety, security, remodeling and deferred maintenance projects costing approximately $420,000.

The University has initiated planning or construction on each of the above Project components and expects to have them substantially completed by December 31, 1992.

SUMMARY OF SECURITY FOR THE BONDS

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

The Bonds are secured by the pledge of the University of its full faith and credit. The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The University agrees to make such payments out of its operating funds or any other moneys legally available. The University covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the University as they become due.

The University will also covenant that:

a. For at least two of its immediately preceding three complete Fiscal Years, as determined on an annual basis during the term of the Bonds, Unrestricted Current Fund revenues shall be not less than Unrestricted Current Fund expenditures, including mandatory transfers, according to the principles of accounting used in the preparation of the University's financial statements for the Fiscal Year ended May 31, 1991 examined by KPMG Peat Marwick. In the event that, following any Fiscal Year, the University shall not be in compliance with this paragraph (a), the University may cure such deficiency by making a deposit to the Unrestricted Current Fund, during or within 180 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposit may be made from the unencumbered Board-controlled quasi-endowment funds or other unencumbered and unrestricted funds, if such unencumbered Board-controlled quasi-endowment funds or other unencumbered and unrestricted funds may legally be transferred to the Unrestricted Current Fund by action of the Board of Trustees. No such deposit may be made from any proceeds of the Bonds or other borrowed funds.

b. For so long as the Bonds remain outstanding, the University shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt outstanding which does not increase the amount of Funded Debt outstanding and further excepting that portion of Funded Debt for capital projects for which the University has received written and signed pledges of gifts for such project), unless for each of the last two Fiscal Years for which audited financial statements are available the Debt Service Coverage Ratio was at least 110% of Maximum Annual Debt Service of (A) then outstanding Funded Debt and (B) Funded Debt thereafter issued or proposed to be issued; provided that if the additional Funded Debt proposed to be issued is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for each of the last two complete Fiscal Years the estimated Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the Authority, the University and the Trustee; and provided further that if the additional Funded Debt proposed to be issued is to finance other University facilities and if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph (b), there shall be added to Net Income Available for Debt Service for each of the last two complete Fiscal Years the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the Authority, the University and the Trustee.

(See Appendix III "DEFINITION OF CERTAIN TERMS".) For purposes of (a) and (b) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by KPMG Peat Marwick in the report of the University's financial statements for the Fiscal Year ended May 31, 1991.

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

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

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which a portion of the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited as follows: into the Escrow Account, approximately $1,370,500 from the proceeds of the Bonds and the balance of the proceeds into the Construction Account, except that the amount of the Reserve Requirement will be deposited into the Reserve Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due and to maintain a debt service reserve in the Reserve Account in the amount of the Reserve Requirement.

Escrow Account

Under the Escrow Agreement, an Escrow Account to be held by the Series Two-G Trustee is established into which there shall be deposited, at Bond Closing, (i) the amount of approximately $1,370,500 from the proceeds of the Bonds, (ii) all amounts on deposit in the Series Two-G Bond Account as of such date, and (iii) all amounts on deposit in the Series Two-G Reserve Account of such date, to be used, together with interest earnings on the amounts set forth in (i), (ii) and (iii) from the date of deposit to May 1, 1992 and, if needed, additional amounts to be provided from available general funds of the University, for the payment and redemption of all of the outstanding Series Two-G Bonds.

Amounts held in the Escrow Account may be invested only in direct obligations of the United States of America. Investment of funds in the Escrow Account shall be limited, if necessary in the opinion of Bond Counsel, as to amount of yield of investment in such manner that no part of the outstanding Series Two-G Bonds shall be deemed "arbitrage bonds" under 148(f) of the Internal Revenue Code of 1986, as amended, and regulations thereunder. Any balance remaining in the Escrow Account after redemption of the outstanding Series Two-G Bonds shall be deposited in the Construction Account.

The funds in the Escrow Account are not available to pay debt service on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account the balance of the proceeds received from sale of the Bonds, exclusive of the Escrow Account deposit, accrued interest and the Reserve Requirement, less the amount of underwriter's discount. In addition, the University will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal less original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the University costs incurred in connection with the Project. When work on the Project Buildings has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the University as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the University shall restore the deficiency from the next Loan Repayment, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn. Investments in the Reserve Account which are eligible investments under the Arbitrage Regulations for such valuation method shall be valued at par or (if purchased at a premium or discount) at amortized cost, and other investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued quarterly on the first day of each calendar quarter commencing January 1, 1992, provided that the valuation of investments with respect to the Reserve Account shall be adjusted whenever there is a withdrawal from or addition to the Reserve Account or any investment held in the Reserve Account is bought or sold or matures. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of earned or accrued interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If at the end of any Fiscal Year the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the deficiency is equal to or less than the excess of the amount of the Reserve Requirement over the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

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

Redemption Account

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

General Bond Reserve Account

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

Authorized Investments

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

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of eight members appointed by the Governor with the advice and consent of the Senate. The Executive Director of the Minnesota Higher Education Coordinating Board, and the President of the Minnesota Private University Council, who is a non-voting member, are also members of the Authority.

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $250 million. The Authority has had 62 issues (including refunded and retired issues) totaling $232,275,000 of which $149,816,929 (excluding the Bonds) is outstanding as of July 2, 1991. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. In addition, State community and technical colleges are eligible for assistance in financing child-care facilities, but not other types of projects. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers, and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes. In the opinion of bond counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling projects.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority then outstanding, including payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or any subsequent date of redemption.

The Authority is financed solely from fees paid by the participating institutions; it has no taxing power.

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

FINANCIAL ADVISOR

Springsted Incorporated, Saint Paul, Minnesota, has served as financial advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor has participated in the preparation of certain portions of this Official Statement, but has not independently verified the factual and financial information contained herein, and accordingly expresses no view as to the accuracy or sufficiency thereof.

RATING

An application for a rating of the Bonds has been made to Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay that rating fee. Any other rating agency fees shall be the responsibility of the Purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds.

LITIGATION

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

LEGALITY

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

Certain legal matters will be passed upon for the University by Oppenheimer Wolff & Donnelly, Saint Paul, Minnesota.

ENFORCEABILITY OF OBLIGATIONS

On the date for delivery of the Bonds to the Purchaser, Bond Counsel, Faegre & Benson of Minneapolis, Minnesota, will deliver the opinion, dated the date thereof, that the Bonds, the Loan Agreement and the Indenture are valid and legally binding on the Authority, enforceable in accordance with their terms. Oppenheimer Wolff & Donnelly, Saint Paul, Minnesota will act as counsel to the University and issue the opinion that the Loan Agreement and the Security Agreement are valid and legally binding agreements of the University, enforceable in accordance with their respective terms. The foregoing opinions will be generally qualified to the extent that the enforceability of the respective instruments may be limited by such matters as bankruptcy or insolvency or other laws affecting remedies or creditors' rights generally, or by equitable principles.

While the Bonds are secured or payable pursuant to the Indenture and the Loan Agreement, the practical realization of payment from any security will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. In addition, the Trustee may not have available sufficient funds under the Indenture to pay the cost of proceeding with such remedies. Pursuant to the Indenture, the Trustee is entitled to require from Bondholders sufficient indemnity for such costs before proceeding to enforce its remedies. Accordingly, the remedies specified in the above documents may not be readily available or may be limited.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) a limitation of $150,000,000 on the aggregate principal amount of "tax-exempt non-hospital bonds" (generally defined as bonds for other than acute care, in-patient hospital facilities) that is allocated to the University or any

501(c)(3) organization under common management or control with the University as an owner or user of facilities financed with proceeds of such bonds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts and (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) a requirement that at least 95% of the proceeds of the Bonds be used for purposes of the University constituting the basis for its being an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and that not more than 5% of the proceeds of the Bonds be used in (or provide a facility to be used in) an unrelated trade or business of the University or the trade or business of any nonexempt person. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the University, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. Certificates will be furnished by officers of the Authority and the University to Bond Counsel at closing to the effect that, at the date of issuance of the Bonds, not more than $150,000,000 of tax-exempt non-hospital bonds (including the Bonds) are outstanding allocable to the University and 501(c)(3) organizations under common management or control. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the date of taxability until the respective dates on which the principal of the Bonds is paid. (See "THE LOAN AGREEMENT-Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Under present provisions of the Code, interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations and the environmental tax imposed with respect to corporations, except that interest on the Bonds will be included in the computation of "adjusted current earnings," which may be an item of tax preference includable in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over $2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1996.

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

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property, casualty or other insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under

Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts is passive investment income.

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

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

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson, Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

Legislation recently introduced into the U.S. House of Representatives would, if passed by Congress in its current form, disallow a portion of the otherwise allowable itemized deductions for individuals who itemize deductions and who receive or accrue tax-exempt interest in a given year. The amount of the itemized deductions disallowed would be a percentage equal to the ratio of the taxpayer's tax-exempt interest to his or her adjusted gross income plus tax-exempt interest. This provision would apply to taxable years beginning after the date the provision becomes law.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

APPENDIX I

THE UNIVERSITY

Hamline University, located in Saint Paul, Minnesota, is a selective, private, nonprofit, coeducational higher education institution consisting of the four-year College of Liberal Arts, the Graduate School and the School of Law. The University is the oldest institution of higher learning in Minnesota, having been chartered by the legislative assembly of the Territory of Minnesota in 1854. It has produced five Rhodes and 13 Fulbright Scholars. The University is affiliated with the United Methodist Church.

Hamline's College of Liberal Arts is accredited by the North Central Association of Colleges and Secondary Schools; National Council for Accreditation of Teacher Education; American Chemical Society; National Association of Schools of Music; University Senate of the United Methodist Church; and the Minnesota State Department of Education. The School of Law is also accredited by the North Central Association of Colleges and Secondary Schools and is accredited by the American Bar Association and the American Association of Law Schools.

Hamline University has been supported by significant grants from organizations such as the National Science Foundation, National Endowment for the Humanities, Consortium for the Advancement of Private Higher Education (CAPHE), Arthur Vining Davis Foundations, McKnight Foundation, Bush Foundation, and the U.S. Department of Education.

Governance

Hamline University is owned and operated by Trustees of the Hamline University of Minnesota. By charter, 11 of the Trustees must be members of the Minnesota Conference of the United Methodist Church. There are currently 35 Trustees. Officers and Trustees of the University are elected by the University Board of Trustees at its annual meeting in May and confirmed at the Conference's annual meeting held each June.

<u>Board of Trustees</u>

The University also has 11 Life Trustees who are allowed to vote on University matters, but do not serve on committees.

<u>Life Trustees</u>

<u>President</u>

Larry G. Osnes was named the 18th President of Hamline University in October, 1988. He had previously been president and chief executive officer of the Minnesota Private College Council, Minnesota Private College Fund and Minnesota Private College Research Foundation.

He served as executive director of the Indiana Higher Education Council. He held various positions at Anderson College including dean of Academic Development and Public Affairs.

President Osnes earned his bachelor's degree from Anderson College, Anderson, Indiana, a master's degree from Wayne State University and his Ph.D degree from the University of Cincinnati.

Vice President for Planning and Operations

Thomas J. Teague has served as Vice President for Planning and Operations at Hamline University since October, 1989.

Most recently, an educational consultant in Baton Rouge, Louisiana, Mr. Teague is a former president of the Louisiana Association of Independent Colleges and Universities and a former Indiana state senator. He served as the founding chief executive officer of the United Educators Risk Retention Group, the first insurance group owned by and designed for American universities.

Mr. Teague received his bachelor's degree from Anderson College, Anderson, Indiana, a juris doctor degree from Indiana University and an M.A. degree in public administration from Oklahoma University. He anticipates receiving a Ph.D. in political science from Louisiana State University in the near future.

Vice President for Finance

Peter W. Lilienthal was appointed Vice President for Finance in January, 1991. Prior to joining Hamline University, Mr. Lilienthal held senior financial management positions with several publicly-held, Twin Cities-based corporations including Jostens, Inc., Munsingwear, Inc., The Toro Company and Tonka Corporation. He has also served as an adjunct instructor in corporate finance at the College of St. Thomas in Saint Paul, Minnesota and has worked as a management consultant in the areas of strategic planning, acquisitions and market development.

Mr. Lilienthal received his bachelor's degree from Occidental College. He also holds an M.Ed. degree from Cleveland State University and an M.B.A. degree from the Harvard Business School.

Campus/Physical Plant

The University is located on a 44-acre site in the Midway District of Saint Paul, Minnesota, approximately equidistant from the downtown areas of Saint Paul and Minneapolis. Fourteen principal academic and administrative buildings and seven residence halls comprise the campus physical plant. The physical plant and contents are insured at replacement values of approximately $74,000,000.

The University's oldest building, Old Main, was built in 1884 and is on the National Register of Historic Places. A number of recent buildings have won architectural awards.

Major building construction during the 1980's includes the Law Center (1980), housing the School of Law; the Theatre (1983), seating 292 persons and part of the Drew Fine Arts Center complex; and Sundin Music Hall (1989), completed at a cost of $1.7 million and seating 320 persons. In 1991, the University completed a new $5.5 million, 36,000 square foot Robbins Science Center. The University raised the entire amount in gifts and pledges, including a $1 million Bush Foundation gift and a $400,000 Kresge Foundation challenge grant.

The residence halls on campus house approximately 830 undergraduate and law students; approximately 50% of undergraduates live on campus. Additionally, sororities and fraternities are located on campus and the University has an office to assist students with off-campus housing.

Academic Information

College of Liberal Arts

Hamline University ranks as a "Liberal Arts College I" institution, according to the Carnegie Council on Policy Studies in Higher Education.

Hamline University offers the Bachelor of Arts degree in the College of Liberal Arts. During the 1990-91 academic year, the University awarded 377 Bachelor of Arts degrees.

The undergraduate curriculum, the Hamline Plan, has attracted national attention among educators and support from numerous foundations, corporations, and individuals. The Hamline Plan joins the essential knowledge and values of the liberal arts with skills needed for career success. In addition to the traditional major, students, take writing-, speaking-, and computer-intensive courses across the curriculum, conduct independent research, participate in career internships or other work experience, and gain understanding of other peoples and cultures.

The College of Liberal Arts follows a 4-1-4 academic calendar. Students have a normal schedule of four courses during both the fall and spring terms, each term being 14 weeks long, and only one course during the four-week January interim.

The University participates in the Associated Colleges of the Twin Cities, a consortium of five local private liberal arts colleges: Hamline, Macalester College, the College of St. Catherine, the College of St. Thomas, and Augsburg College. This cooperative arrangement permits cross-registration without additional cost to the student and substantially increases the educational opportunities for students at all five institutions.

In addition to various on-campus programs the University offers international study programs in Europe, Latin America and the People's Republic of China, and programs in New York, Washington, D.C. and the United Nations.

The Bush Memorial Library, completed in 1971, houses 180,000 volumes and 800 current periodicals. The library also maintains a variety of non-print material such as films, film strips, video tapes, audio tapes, phonograph records, and slides. The library belongs to an eight-library network which provides rapid access to a collection of more than 1.5 million volumes.

The Graduate School

The Graduate School was founded in 1980 as the Division of Graduate and Continuing Studies within the College of Liberal Arts, and became an independent unit of the University in fall 1989.

Four Master of Arts degrees are presently offered, including the Master of Arts in Education, Master of Arts in Liberal Studies, Master of Arts in Music Education and Master of Arts in Public Administration. During the 1990-91 academic year, 76 Master of Arts degrees were awarded.

The Master of Arts in Liberal Studies program is one of the largest and most respected such programs in the nation; it publishes the national liberal studies journal Voiceprint. The Master of Arts in Public Administration educates students for service in local, regional and state government as well as nonprofit organizations; it publishes the Journal of Public Law and Policy and houses the Center for Women in Government, one of only three such university-affiliated centers in the nation.

The Graduating Continuing Studies program is one of the largest programs for K-12 educators in the Upper Midwest, offering courses for graduate and undergraduate credit for teachers, administrators and counselors with certificates in education.

Courses in the graduate programs are geared toward adult working professionals. Although full-time day attendance is possible, these programs are primarily intended to serve the needs of part-time evening and summer students.

School of Law

The present Hamline University School of Law was founded in 1972 as the Midwestern School of Law, and became affiliated with Hamline University in 1976. During the 1990-91 academic year, the University awarded 162 Juris Doctorate degrees.

The School of Law operates on a year-round basis, giving students the option of accelerating the program; however students are not allowed to complete their programs in less than two and one-half years or in more than five years. The curriculum is designed to be completed in six academic semesters. It also offers flexible scheduling to accommodate the needs of working adult students.

The School of Law is distinguished by an emphasis on public service. Students are encouraged to do pro bono work, and the General Practice Clinic provides a wide variety of services including family reunification for Southeast Asians. The law school's Moot Court program has been recognized as one of the best in the country.

The School of Law library houses more than 185,000 volumes, is a government depository, and has access to the WESTLAW and LEXIS computerized legal databases.

The Hamline Law Review is published twice a year by second and third year students. Faculty and students publish the Journal of Law and Religion.

The School of Law maintains a Placement Office and employs a full-time placement director.

Student Enrollment

The University's actual and projected enrollment is:

		Undergraduate		Graduate		School of Law		Total University	
		FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count
Actual:	1986-87	1,171	1,214	140	251	442	458	1,753	1,923
	1987-88	1,267	1,315	163	290	457	474	1,887	2,079
	1988-89	1,385	1,430	184	322	471	483	2,040	2,235
	1989-90	1,459	1,508	229	407	511	529	2,199	2,444
	1990-91	1,452	1,507	252	443	541	564	2,245	2,514
Projected:	1991-92	1,376	1,431	266	557	545	567	2,187	2,555
	1992-93	1,345	1,401	278	620	537	555	2,160	2,576
	1993-94	1,339	1,395	287	698	504	521	2,130	2,614
	1994-95	1,345	1,401	293	704	500	517	2,138	2,622
	1995-96	1,359	1,414	297	697	500	518	2,156	2,629

Source: Hamline University.

Geographic Distribution of Fall 1990-91 Undergraduate Student Body

State	Number of Students
Minnesota	1,214
Wisconsin	113
North Dakota	21
Iowa	20
South Dakota	18
Montana	11
Other States (21)	73
Foreign Countries	37
Total	1,507

Geographic Distribution of Fall 1990-91 Law School First Year Class

State	Number of Students
Minnesota	119
Wisconsin	40
Illinois	7
Iowa	5
Colorado	4
Other States (18)	46
	221

Freshmen Applications, Admissions and Enrollments

	1986-87	1987-88	1988-89	1989-90	1990-91
Freshmen Applications	695	792	921	948	916
Offers of Admission	605	664	740	783	769
Percentage Admitted	87%	84%	80%	83%	84%
Freshmen Enrolled	274	335	357	349	312
Percentage Admitted Enrolled	45%	50%	48%	45%	41%
Median ACT Scores of Enrolled Freshmen	23	24	25	25	25
Median SAT Scores of Enrolled Freshmen Verbal/Math	480/530	490/540	480/540	530/570	520/550

Law School Applications, Admissions and Enrollment

	1986-87	1987-88	1988-89	1989-90	1990-91
Applications	716	719	858	1,066	1,249
Offers of Admission	547	482	498	501	503
Percentage Admitted	76%	67%	58%	47%	40%
Enrolled	150	201	182	190	224
Percentage Enrolled	27%	42%	37%	38%	45%
Average LSAT Score	30	30	32	34	35

Undergraduate Student Retention

The University reports the following undergraduate student retention rates, based on tracking incoming freshmen through to graduation.

Fall Semester	New Freshman	Percent of Students Returning 2nd Year	3rd Year	4th Year	Percent of Graduates 4 Years	By 6th Year
1983	314	73	60	53	39	46
1984	262	75	64	61	45	55
1985	283	80	69	70	51	
1986	274	81	74	70	53	
1987	335	78	69	65		
1988	357	84	71			
1989	349	80				

Law School Student Retention

The University reports the following law school student retention rates:

Entering Fall Semester	First Year Class	Percent of First Year Students Returning* 2nd Year	3rd Year	Percent of Graduates in Third Yr. to First Yr. Class
1985	168	86%	80%	83%
1986	150	88%	87%	85%
1987	201	84%	81%	81%
1988	182	97%	90%	90%
1989	190	94%	91%	91%

* *May include transfer students.*

Faculty and Staff - 1990-91

Undergraduate Full-Time Faculty	93
Undergraduate Part-Time Faculty	58
Graduate Part-Time Faculty	50
Law School Full-Time Faculty	25
Law School Part-Time Faculty	25
Administrative Staff	252
Students	465
Total Employment	**968**

Faculty by Rank and Average Salary

	Total Number	Average Salary	Number Tenured
Undergraduate			
Professor	44	$44,142	44
Associate Professor	23	$36,249	15
Assistant Professor	24	$30,013	1
Instructor	2	$27,000	0
Law School			
Professor	12	$67,801	12
Associate Professor	9	$55,611	9

Tuition and Fees

The University meets the costs of its educational programs primarily through tuition and fees.

Undergraduate

The following table lists the tuition, room, board and other fees charged to a full-time undergraduate student residing on campus for the five most recent years.

	1987-88	1988-89	1989-90	1990-91	1991-92
Tuition	$8,075	$8,920	$9,860	$10,700	$11,550
Room & Board	2,983	3,054	3,234	3,449	3,711
Student Fees	106	113	139	134	175
Total	$11,164	$12,087	$13,233	$14,283	$15,436

Other special fees may be charged for specific courses of study and certain activities.

School of Law

Annual tuition charged to a full-time student enrolled in the School of Law for the past five years has been:

	1987-88	1988-89	1989-90	1990-91	1991-92
Law School Tuition	$7,340	$8,100	$8,950	$9,934	$10,980

Graduate School

Graduate school students are charged tuition per course per semester. Following are those charges for the past five years.

1987-88	1988-89	1989-90	1990-91	1991-92
$555	$590	$650	$695	$745

The typical graduate student takes two courses per semester.

Comparative Rates for Undergraduate Tuition, Room and Board

Following are total undergraduate tuition, room and board fees charged for the 1990-91 academic year for selected Minnesota private colleges.

	1990-91 Total
Carleton College	$18,250
Macalester College	16,185
St. Olaf College	14,300
Hamline University	**14,149**
Gustavus Adolphus College	13,750
St. John's University	13,010

Source: *Minnesota Private College Council.*

Comparative Law School Tuition

Following are comparative tuition charges for selected private law schools for the 1990-91 academic year. The institutions listed compare to the University because they compete directly with the University for law students, are comparable in the size of the law school, or are located in an urban area or offer undergraduate programs.

	1990-91 Tuition
California Western School of Law	$13,100
John Marshall Law School	11,610
Drake University	10,750
William Mitchell College of Law	10,260
Hamline University	**9,934**
University of Dayton	9,900
Valparaiso University	9,890
Gonzaga University	9,600
Marquette University	9,530
Western New England College	9,150

Source: *American Bar Association.*

Financial Aid

Approximately 70% of the student body receives some form of financial aid. The following table is a five-year summary of financial aid received from University and non-University sources.

	1987-88	1988-89	1989-90	1990-91	Projected 1991-92
Federal:					
Pell Grants	$ 462,391	$ 667,035	$ 683,701	$ 686,468	$ 710,000
SEO Grants	241,869	242,231	272,000	278,484	296,374
Stafford Loans	4,340,670	5,102,349	5,449,866	6,040,292	6,100,000
Supplemental Loans	1,070,998	1,564,557	1,781,704	2,081,669	2,200,000
Work-Study	384,687	368,011	360,000	410,000	410,000
Perkins Loans	523,271	746,262	1,500,000	816,724	850,000
Minnesota:					
Grants	$ 1,498,537	$ 1,556,567	$ 1,942,939	$ 2,112,202	$ 1,950,000
SELF Loans	216,955	384,431	391,331	579,696	600,000
Work Study	55,618	52,877	66,479	67,084	67,000
University Grants:					
College of Liberal Arts:					
General	$ 1,729,997	$ 2,318,407	$ 2,510,414	$ 3,049,239	$ 3,600,000
Endowed/Restricted	474,291	432,304	438,333	487,065	490,000
College of Law:					
General	310,274	345,907	430,959	526,413	580,500
Endowed/Restricted	51,765	49,583	68,325	64,110	65,000
Other	$ 131,487	$ 198,454	$ 224,244	$ 234,383	$ 240,000
Total	$11,492,810	$14,028,975	$16,120,295	$17,433,829	$18,158,874
Number of Students Receiving Financial Aid	1,517	1,638	1,730	1,959	1,900

Retirement Plan

The University participates in the Teachers Insurance and Annuity Association of America (TIAA) program which covers certain full-time faculty and staff employees. Contributions equal to 10% of eligible employees' salaries are required under the program. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. University expenditures include $795,863 for this retirement plan for the year ended May 31, 1990.

Gift and Grant Support

The University maintains an active development program seeking gift and grant support from private donors, foundations, corporations and government agencies, among others. The following table summarizes private gifts and grants received for Fiscal Years 1986 through 1990.

	1985-86	1986-87	1987-88	1988-89	1989-90
Unrestricted Current Fund	$ 711,117	$ 895,989	$ 506,704	$ 559,414	$ 625,379
Restricted Current Fund	1,095,783	947,943	760,954	743,698	889,924
Loan Funds	20,000	--	--	15,150	27,050
Endowment & Similar Funds	480,302	1,053,639	2,030,867	800,613	734,267
Annuity & Life Income Funds	25,475	36,125	60,425	499,352	38,000
Unexpended Plant Fund	548,635	870,063	1,189,762	1,344,654	2,133,081
Total	$2,881,312	$3,803,759	$4,548,712	$3,962,881	$4,447,701

Endowment Funds

Following is a five-year history of the fund balances of the University's Endowment and Similar Funds as reported in the annual financial statement of the University for each year.

Year Ended May 31	Fund Balance Endowment	Quasi-Endowment	Total
1986	11,978,323	2,077,200	14,055,523
1987	14,308,701	2,394,708	16,703,409
1988	16,539,033	2,405,431	18,944,404
1989	17,075,483	2,379,357	19,454,840
1990	18,315,843	2,705,365	21,021,208

As of May 31, 1991, the University reported unaudited endowment of $19,019,690 and quasi-endowment of $2,696,889, for a total unaudited amount of $21,716,579.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Quasi-endowment funds have been established by the Board of Trustees for a specific purpose and may be designated for other uses at the discretion of the Board.

Capital Campaign

In 1989 the University initiated its Campaign for Leadership, a $32.1 million fund drive which will continue through May 31, 1992. The goals of the campaign are:

Academic Program Endowment	$ 3,000,000
Faculty Endowment	5,000,000
Scholarship Endowment	5,000,000
Facilities and Equipment	13,600,000
Current and Annual Fund	5,500,000

As of April 12, 1991, the University has received $28,774,078 in pledges and gifts. These funds have not been raised and are not being pledged or held for payment of debt service on the Bonds.

Financial Statements

The University's fiscal year ends May 31 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting except that depreciation is not recognized under generally accepted accounting principles applicable to nonprofit institutions of higher education. Appendix V sets forth the financial statements of the University for the year ended May 31, 1990, audited by KPMG Peat Marwick Certified Public Accountants, Minneapolis, Minnesota. KPMG Peat Marwick has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Summaries of Current Funds Revenues, Expenditures and Transfers

The following tables set forth summaries of revenues, expenditures and other changes for the University's Unrestricted Current Fund for the past five Fiscal Years from the University's audited financial statements. Also included is a preliminary, unaudited estimate for the fiscal year ended May 31, 1991. These tables should be read in conjunction with the financial statements found in Appendix V.

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA
SUMMARY STATEMENT OF UNRESTRICTED CURRENT FUND
REVENUES, EXPENDITURES AND TRANSFERS

For the Years Ended May 31,

	1986	1987	1988	1989	1990
REVENUES:					
Tuition and fees	$12,169,583	$13,509,418	$15,300,318	$18,310,850	$21,535,914
Federal grants and contracts	54,010	58,498	85,418	82,216	106,480
Private gifts and grants	711,117	895,989	506,704	559,414	625,379
Endowment income	594,659	489,045	599,274	609,848	617,800
Sales and services of educ. activities	66,085	46,171	46,374	41,948	49,847
Other sources	458,259	240,492	533,867	810,686	868,961
Sales and services of Auxiliary Enterprises	2,484,270	2,659,306	2,886,716	3,065,719	3,243,809
Total Current Revenues	16,537,983	17,898,919	19,958,671	23,480,681	27,048,190
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	5,564,177	5,780,332	6,052,316	6,924,839	7,875,147
Public service	25,886	16,782	18,089	15,405	15,167
Academic support	1,604,139	1,857,970	2,097,296	2,434,435	3,082,040
Student services	1,493,851	1,543,190	1,861,480	2,053,812	2,367,364
Institutional support	1,872,289	1,906,706	1,975,542	2,354,109	2,963,756
Operation and maintenance	1,478,775	1,247,686	1,537,791	1,651,376	1,865,267
Scholarships and fellowships	1,422,152	2,167,177	2,329,820	2,988,328	3,061,360
Educational and General Expenditures	13,461,269	14,519,843	15,872,334	18,422,304	21,230,101
Auxiliary Enterprises					
Expenditures	1,995,843	2,181,923	2,381,475	2,642,738	2,793,117
Mandatory transfers for debt service	318,829	317,883	317,149	331,996	314,723
Total Auxiliary Enterprises	2,314,672	2,499,806	2,698,624	2,974,734	3,107,840
Mandatory Transfers for Debt Service					
Unrelated to Auxiliary Enterprises	162,442	517,150	639,690	648,537	662,911
Mandatory Transfer- Federal Loan Matching	40,128	35,608	26,131	36,866	37,200
Total Expenditures and Mandatory Transfers	15,978,511	17,572,407	19,236,779	22,082,441	25,038,052
OTHER NONMANDATORY TRANSFERS AND DEDUCTIONS:					
Renewals and replacement reserve	(11,576)	(24,410)	(67,289)	(3,486)	(8,675)
Transfers to service interfund borrowing	(47,682)	(46,589)	(46,319)	(16,281)	(25,255)
Other nonmandatory transfers	(492,015)	(214,732)	(552,010)	(1,151,927)	(1,812,147)
NET INCREASE (DECREASE) IN FUND BALANCE	$8,199	$40,781	$56,274	$226,546	$164,061

Source: Audited financial statements of the University

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA
STATEMENT OF UNRESTRICTED CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES
For the Year Ended May 31, 1991
(Preliminary Unaudited)

	Preliminary Unaudited Actual
Revenues:	
Tuition and Fees	$23,919,314.21
Federal Grants and Contracts	91,084.58
Private Gifts and Grants	598,627.41
Endowment Income	634,266.19
Sales and Services of Educational Activities	140,620.35
Other Sources	901,762.78
Sales and Services of Auxiliary Enterprises	3,961,564.11
Total Current Revenues	$30,247,239.63
Expenditures and Mandatory Transfers:	
Educational and General:	
Instruction	$ 8,983,774.05
Public Service	67,004.33
Academic Support	3,428,993.67
Student Services	2,748,045.45
Institutional Support	3,447,853.24
Operation and Maintenance of Physical Plant	2,195,706.99
Scholarships and Fellowships	3,577,073.00
Total Educational and General Expenditures	$24,448,450.73
Auxiliary Enterprises:	
Expenditures	$ 3,548,930.22
Mandatory Transfers for Debt Service	332,208.00
Total Auxiliary Enterprises	$ 3,881,138.22
Mandatory Transfers for Debt Service Unrelated to Auxiliary Enterprises	$ 665,314.00
Mandatory Transfer for Federal Loan Matching	35,543.00
Total Expenditures and Mandatory Transfers	$29,030,445.95
Other Non-Mandatory Transfers and Deductions:	
Transfers to Service Inter-Fund Borrowings	$ 15,532.00
Other Non-Mandatory Transfers	355,236.00
Total Other Non-Mandatory Transfers and Deductions	$ 370,768.00
Net Increase in Fund Balance	$ 846,025.68

Long-Term Debt of the University as of June 2, 1991 and the Bonds

1. $2,250,000 Hamline University Dormitory and Auxiliary Facilities Bonds of 1969, Series A, B and C. The Series A have a final maturity of June 1, 1996 payable at 2.75%; the Series B have a final maturity of June 1, 1998, payable at 3%; and the Series C have a final maturity of June 1, 2009, payable at 3%. Certain residence halls and land are pledged as collateral. $1,253,000 is outstanding.

2. $2,024,000 mortgage due in monthly installments of $19,200, including interest at 9.75% to November, 1991. The Bush Memorial Library is pledged as collateral to the mortgage. The University receives an interest subsidy from the federal government which reduces the effective annual interest rate to 3% over the life of the mortgage. $92,278 is outstanding.

3. $6,000,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series Two-A, dated November 1, 1979, final maturity June 1, 2008. The Series Two-A Bonds are secured by the full faith and credit of the University, a mortgage on the Law Center, a debt service reserve of $400,000, and the Authority's General Bond Reserve. $5,050,000 is outstanding.

4. $1,970,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-G, dated August 1, 1983. $1,550,000 is outstanding. The Series Two-G Bonds are being advance refunded with proceeds from the Series Three-A Bonds.

5. The Series Three-A Bonds.

As of June 2, 1991, the total long-term debt outstanding adjusted to include the Series Three-A Bonds but excluding the Series Two-G Bonds is $10,825,278.

Annual Debt Service By Fiscal Year and Coverage Statement

The table on page I-16 sets forth the principal and estimated debt service on the Bonds and debt service on the University's currently outstanding long-term debt, for each fiscal year during the term of the Bonds. Actual long-term debt of the University may increase in the future. Column 5 shows coverage of such annual debt service by the amount of University revenue that was available for debt service in the Unrestricted Current Fund as of May 31, 1990, as further detailed in footnote (c) of the table. Funds available in the future for University debt service may be less than that amount.

Line of Credit Commitment

The University has obtained commitments from three lending institutions for unsecured lines of credit totaling up to $2,000,000, for operating cash flow purposes. The University does not anticipate having to draw against these commitments.

ANNUAL DEBT SERVICE BY FISCAL YEAR AND COVERAGE STATEMENT

FISCAL YEAR ENDING	DEBT SERVICE ON THE BONDS(a) (1)	EXISTING LONG TERM DEBT SERVICE(b) (2)	COMBINED LONG TERM DEBT SERVICE (3)	AMOUNT AVAILABLE FOR DEBT SERVICE(c) (4)	COVERAGE (times) (5)
31-May-91	$0	$1,087,784	$1,087,784	$2,987,772	2.75
31-May-92	202,541	713,206	915,747	2,987,772	3.26
31-May-93	376,749	632,752	1,009,501	2,987,772	2.96
31-May-94	440,553	619,368	1,059,921	2,987,772	2.82
31-May-95	446,700	631,982	1,078,682	2,987,772	2.77
31-May-96	441,989	621,694	1,063,683	2,987,772	2.81
31-May-97	446,418	622,252	1,068,670	2,987,772	2.80
31-May-98	444,853	605,182	1,050,035	2,987,772	2.85
31-May-99	466,668	599,112	1,065,780	2,987,772	2.80
31-May-2000	466,608	580,588	1,047,196	2,987,772	2.85
31-May-2001	470,038	587,062	1,057,100	2,987,772	2.83
31-May-2002	491,128	596,662	1,087,790	2,987,772	2.75
31-May-2003	489,888	573,550	1,063,438	2,987,772	2.81
31-May-2004	491,773	575,438	1,067,211	2,987,772	2.80
31-May-2005	317,953	580,388	898,341	2,987,772	3.33
31-May-2006	318,828	578,250	897,078	2,987,772	3.33
31-May-2007	318,418	579,176	897,594	2,987,772	3.33
31-May-2008	316,693	1,448,012	1,764,705	2,987,772	1.69
31-May-2009	318,499	72,100	390,599	2,987,772	7.65
31-May-2010	313,875	0	313,875	2,987,772	9.52
31-May-2011	466,875	0	466,875	2,987,772	6.40
Totals	$8,047,047	$12,304,558	$20,351,605		

(a) Estimated, based on average rate of 7.12%

(b) Excludes Series Two-G Bonds after FY 1991 (See page 1-15).

(c) Amount available for Debt Service (Unrestricted Current Fund), based on fiscal year 1989-90 audited financial report of the University:

Unrestricted Current Fund ("UCF") Revenues:	$27,048,190
Less UCF Expenditures & Mandatory Transfers:	25,038,052
Excess of UCF Revenues over UCF Expenditures and Mandatory Transfers:	$2,010,138
Add: Mandatory Transfers for Debt Service:	977,634
Amount Available for Debt Service:	$2,987,772

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON
2200 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
612/336-3000
FACSIMILE 336-3026

$4,430,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Three-A
(Trustees of the Hamline University of Minnesota)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Revenue Bonds, Series Three-A (Trustees of the Hamline University of Minnesota), in the aggregate principal amount of $4,430,000 (the "Bonds"), dated August 1, 1991, in the denomination of $5,000 each and integral multiples thereof, maturing on October 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

Year	Amount	Basic Interest Rate	Year	Amount	Basic Interest Rate
1992	$	%	2002	$	%
1993	$		2003	$	
1994	$		2004	$	
1995	$		2005	$	
1996	$		2006	$	
1997	$		2007	$	
1998	$		2008	$	
1999	$		2009	$	
2000	$		2010	$	
2001	$		2011	$	

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds. Interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 1992. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of ______________________, National Association, in ___________, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to the Trustees of the Hamline University of Minnesota, a Minnesota nonprofit corporation (the "University"), as owner and operator of the Hamline University, a Minnesota nonprofit institution of higher education having its main campus in the City of St. Paul, Minnesota (the "Institution"), in order to finance the costs of refunding certain outstanding revenue bonds and a project consisting of the improving, furnishing and equipping of buildings on the campus of the Institution, with appurtenant site improvements, and acquisition and installation of equipment (as further described in the Loan Agreement and Indenture, the "Project"). We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University, the Trust Indenture (the "Indenture") between the Authority and the Trustee, all dated as of August 1, 1991, the opinion of Oppenheimer, Wolff & Donnelly, as counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Oppenheimer, Wolff & Donnelly, as to the Loan Agreement having been duly authorized and executed and being binding upon the University, as to the corporate organization, good standing and powers of the University, and [a commitment to issue title insurance] [their opinion] as to title to the Project Site (as defined in the Loan Agreement and Indenture) without examining the records of the University or original title records or abstracts of title.

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

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

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

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

3. The Bonds are secured by the assignment of the loan repayments payable by the University under the Loan Agreement, to the Trustee in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, by the pledge of the funds and investments held by the Trustee under the Indenture.

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

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

Dated at Minneapolis, Minnesota, August __, 1991.

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DEFINITION OF CERTAIN TERMS

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

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

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the University and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Vice Chair, Secretary or Executive Director. Such certificate may designate an alternate or alternates.

Authorized Institution Representative: The person at the time designated to act on behalf of the University by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the University by the President, any Vice President or Secretary of its Board of Trustees or by the President or a Vice President of the Institution. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described in Section 5.05 thereof.

Board-Controlled: When used with reference to quasi-endowment funds, funds designated by the Board of Trustees, and not by the donor, to function as quasi-endowment funds and which may be transferred to the Unrestricted Current Fund by action of the Board of Trustees and used for the University's general purposes.

Board of Trustees: The Board of Trustees of the University, including any Executive Committee authorized to act for such board.

Bond and Interest Sinking Fund Account: The account established pursuant to the Indenture into which the Authority and Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-A (Trustees of the Hamline University of Minnesota) and any Additional Bonds then outstanding.

Bond Closing: The original issuance, sale and delivery of any Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on July 31, 1991, authorizing the Series Three-A Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the University and located on the Project Site acquired from funds other than the proceeds of the Series Two-G Bonds or the Bonds.

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

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

Debt Service Coverage Ratio: For any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service by the total amount of principal of and interest on Funded Debt.

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

Escrow Account: The account established under the Escrow Agreement for the refunding of the Series Two-G Bonds.

Escrow Agreement: The Escrow Agreement dated as of the Issue Date among the Series Two-G Trustee, the Trustee, the Authority and the University.

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in this Official Statement in the sections entitled "THE INDENTURE - Events of Default" and "THE LOAN AGREEMENT - Events of Default."

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

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

Funded Debt: Indebtedness for borrowed money having a maturity date of more than one year and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including obligations whenever payable if renewable pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year and lease rental obligations which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

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

Holder, Bondholder, or Owner: The person in whose name a Bond is registered.

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of August 1, 1991, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: Hamline University, a Minnesota institution of higher education located in the City of Saint Paul, Minnesota.

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

Issue: The Bonds.

Issue Date: The date on which the Series Three-A Bonds are delivered to the original purchasers thereof upon original issuance.

Loan Agreement: The Loan Agreement between the Authority and the University dated as of August 1, 1991, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the University as owner or lessee to the Trustee pursuant to Section 4.02 of the Loan Agreement.

Maximum Annual Debt Service: The largest total amount of principal of and interest on Funded Debt payable by the University in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding subject to the following: (i) If any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest thereon for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal Year or, at the election of the University, for the then current interest period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the initial variable rate as estimated by an independent management consultant, or an investment banking firm selected by the University to underwrite the sale of such variable rate indebtedness. (ii) If any part of the Funded Debt outstanding or to be issued is a guarantee by the University of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the University having borrowed money to relend to a third person), such Funded Debt shall be excluded if the third person (whose debt is guaranteed or whose payments are expected to service the University's obligations with respect to such Funded Debt) had a Debt Service Coverage Ratio (including the amount of debt proposed to be incurred in the computation of debt service) of at least 125%. (iii) The amount of debt service with respect to Funded Debt, 25% or more of the principal of which is due in any 12-month period ("balloon indebtedness") may, at the option of the University, be calculated on a level debt service basis over the period ending the Fiscal Year when the balloon is payable. (iv) The amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of principal of or interest on such indebtedness which the University may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a financial institution to refinance the amount of any indebtedness which the University may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the University, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt which the University may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof. (v) There shall not be taken into account any part of the Funded Debt of the University which has been refunded, or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from moneys and investments held by an indenture trustee or escrow agent which are direct obligations of or obligations fully guaranteed by the United States of America. (vi) If any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account. (vii) If any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder. (viii) If any part of the Funded Debt outstanding or to be issued constitutes capital appreciation bonds or notes (including zero coupon or discount bonds or notes issued at less than 95% of par value), the amount of debt service to be taken into account shall be the excess of accreted value of such bonds or notes in a Fiscal Year over the accreted value in the prior Fiscal Year. (ix) The amount of any reserve fund for any Funded

Debt or redemption fund which may be used only to pay, redeem or purchase such Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve or redemption fund moneys may be used without creating a default.

Net Income Available for Debt Service: The excess of Unrestricted Current Fund revenues over Unrestricted Current Fund expenditures (excluding depreciation, amortization and interest from expenditures), plus income from investment of accounts held by the Trustee under the Indenture, all as determined by generally accepted accounting principles as applied by Peat Marwick Main & Co. in preparation of the University's financial statements for the Fiscal Year ended May 31, 1991.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the University as owner or lessee or the Trustee as secured party, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority.

Outstanding Mortgage: The Trust Indenture between the University, as mortgagor, and American National Bank and Trust Company of Saint Paul, Minnesota, as mortgagee, securing the Trustees of the Hamline University Dormitory and Auxiliary Facilities Bonds, Series A, B and C of 1969 and any amendments thereto and the mortgage between the University, as mortgagor, and Twin City Federal Savings and Loan Association and Minnesota Federal Savings and Loan, as mortgagee securing a loan in the original principal amount of $2,024,000 and providing a mortgage lien on the Bush Memorial Library and any amendments thereto.

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities, and as do not in the aggregate, in the opinion of independent counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the University, (iv) the Outstanding Mortgage and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Project: The Project consists of (a) renovation, equipping and repairs to Manor House, Sorin and Drew Halls, Bush Library, Old Main and the swimming pool facility; (b) the purchase and installation of an emergency generator; (c) the purchase and installation of signage throughout the campus; and (d) maintenance and remodeling projects at various campus locations, including acquisition and installation of replacement windows and sidewalks and security lighting and appurtenant site improvements and all to be owned an operated by the University and located on the Project Site.

Project Buildings: Sorin Hall, Manor House, Drew, Peterson, Osborn and Schilling Residence Halls, Bush Library, Old Main, the swimming pool facility and any other building improved with proceeds of the Series Two-G Bonds or the Bonds.

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

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Series Two-G Bonds or the Bonds, including investment earnings, and installed and located in or as part of the Project Buildings or elsewhere as part of the Series Two-G Project or the Project.

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

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

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

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

Reserve Account: The Reserve Account established under the Indenture, into which at Bond Closing will be placed $_________ of Bond proceeds, unless such amount exceeds 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale) in which case the debt service reserve will be in the amount of such lesser sum (the "Reserve Requirement"). Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefor and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the University or the Authority fails to provide for payment of any rebate.

Series Three-A Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-A (Trustees of the Hamline University of Minnesota).

Series Two-G Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-G (Trustees of the Hamline University of Minnesota), dated August 1, 1983 in the original principal amount of $1,970,000.

Series Two-G Project: The renovation of Sorin Hall dining room and kitchen, refurbishing of Peterson, Osborn and Schilling Residence Halls, and electrical repair in Manor House on the campus of the Institution in Saint Paul, Minnesota.

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

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

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

University: Trustees of the Hamline University of Minnesota, a Minnesota non-profit corporation, its successors and assigns.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the full text of the Loan Agreement for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, contained herein.

Construction of Project

The University represents that the acquisition, construction and improvement of the Project are to be substantially completed by no later than December 31, 1992 subject only to "force majeure," as provided in the Loan Agreement, provided that the University may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the University, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds. The University agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account.

Loan Repayments

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

(a) at least 10 Business Days prior to each April 1 and October 1, commencing April 1, 1992, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest, or as principal and interest, on the Series Three-A Bonds on the next succeeding interest payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.02, 5.03, 5.04 or 5.05 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) prior to a date established for the optional redemption and prepayment of the Series Three-A Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Three-A Bonds called for redemption from the Redemption Account; and

(c) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Series Three-A Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) into the Reserve Account any amounts then required to be deposited therein by Section 5.02 of the Indenture at the times provided therein; and

(e) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.06 of the Indenture (relating to arbitrage rebate).

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The University agrees that, so long as there are Bonds outstanding, the University will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The University may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, or the Act.

Title to Property and Liens

Except for Permitted Encumbrances, the University will not permit any liens to be established or to remain against the Project Facilities including any mechanics liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the University may in good faith contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the University that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the University shall promptly pay all such items.

Taxes and Other Governmental Charges

The University will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the University, or the Project Facilities or any improvements, equipment or related property installed or bought by the University therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

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

Insurance

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

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

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000 and against liability for property damage in the minimum amount for each occurrence of $100,000.

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

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

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

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $100,000, the University will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $100,000, subject to the Outstanding Mortgage, the University shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

If the Bonds are redeemed in part, the available Net Proceeds (or, if less, the pro rata portion) in respect of any Project Building or Project Equipment which the University elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds. For purposes of this provision, "pro rata portion" shall mean the following percentages of the principal amount of outstanding Bonds: Sorin Hall 38%, Manor House 34%, Peterson Residence Hall 3%, Osborn Residence Hall 3%, Schilling Residence Hall 3%, Drew Hall 3%, Bush Library 2%, Old Main 2%, swimming pool facility 2%, and the emergency generator 10%.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any Project Building or Buildings and site thereof shall be taken in any proceeding involving the exercise of the right of eminent domain, subject to the Outstanding Mortgage, the University shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are redeemed in part, the available Net Proceeds (or, if less, the pro rata portion) in respect of any Project Building and site thereof which the University elects not to repair, rebuild, or restore shall be used for the redemption or purchase of outstanding Bonds. For purposes of this provision, "pro rata portion" shall be defined as set forth above under "Damage or Destruction."

Indemnification

The University and the Institution agree to hold the Authority, its members and employees, harmless against any claim, cause of action, suit or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities and the use thereof, including that caused by any negligence of the Authority or anyone acting in its behalf, provided that the indemnity shall be effective only to the extent of any loss that may be sustained by the Authority in excess of the net proceeds received by the Authority from any insurance carried with respect to the loss sustained.

The University agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions, insofar as the same relate to information furnished to the Authority by the University in connection with the sale of the Bonds.

Existence and Accreditation of University and Institution

The University agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution, if such consolidation, merger, sale, or transfer does not violate any term or condition of the outstanding mortgage, except upon the conditions provided in the Loan Agreement. The conditions include the following: (a) The surviving, resulting or transferee corporation or institution, as the case may be, (i) shall have either an unrestricted fund balance equal to at least 90% of the unrestricted fund balance of the University for the most recent Fiscal Year or have an average Debt Service Coverage Ratio (as defined in the Loan Agreement) on a consolidated basis for the two most recent Fiscal Years at least equal to the Debt Service Coverage Ratio of the University for the same period or have an average projected Debt Service Coverage Ratio for the next two succeeding Fiscal Years at least equal to 120% of the Maximum Annual Debt Service (as defined in the Loan Agreement) of the University at the time of the merger or consolidation; (ii) if the surviving, resulting or transferee corporation or institution, as the case may be, is other than the University, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the University in the Loan Agreement and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the Institution be nonsectarian; and (iii) the University shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

$150,000,000 Limitation on Outstanding Non-Hospital Bonds

The University has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt non-hospital bonds issued on behalf of or for the benefit of the University and all organizations under common management or control with the University (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, in no event will the University affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to cause the sum of the principal amount of the Series Three-A Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the University or such other resulting entity, and all organizations under common management or control with the University or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, to exceed $150,000,000.

Institution To Be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

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

Other Covenants

The University agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

The Authority agrees to comply with the applicable rebate requirements imposed under Section 148(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the University to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

Events of Default

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

(a) If the University shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account and Redemption Account on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 days after notice from the Trustee or the Authority to the University that such payment has not been made; or

(b) If the University shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or

(c) If the University shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the University fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the University by the Authority or the Trustee; or

(d) If the University fails to observe the financial covenants set forth in Section 6.14 of the Loan Agreement, provided that failure to comply with Section 6.14(a) relating to the Unrestricted Current Fund balance shall not become an Event of Default unless the University fails to restore the deficiency within a period of 180 days after the close of the Fiscal Year in which such deficiency has occurred; or

(e) If the University shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the University by the Authority or the Trustee; or

(f) If the University files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the University or the Institution; or

(g) If a court of competent jurisdiction shall enter an order, judgment or decree against the University in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the University or of the whole or any substantial part of the property of the University or the Institution, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or

(h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the University or the Institution or of the whole or any substantial part of the property of the University or the Institution, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control; or

(i) If any default shall exist under any agreement respecting indebtedness of the University, including the Outstanding Mortgage, and if, as a result thereof, such indebtedness shall become due and payable or a proceeding is brought for enforcement thereof.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the University. The provisions of paragraph (e) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the University has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the University shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The University agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the University from carrying out its agreements.

Remedies on Default

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

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

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

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

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Bonds and so long as any Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the "Indenture"). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, contained herein.

Granting Clauses

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

(a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee, expenses and rights to indemnity and reimbursement;

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be established and maintained under Article V of the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

(c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the University or by anyone in behalf of them or with their written consent, to the Trustee.

Accounts

Bond proceeds and revenues derived under the Loan Agreement or Indenture shall be deposited into accounts held by the Trustee as described in "ACCOUNTS," contained in the body of this Official Statement.

Additional Bonds

Provided certain conditions more fully described in the Indenture have been met, the Authority may in its discretion and with the consent of the University issue Additional Bonds, to be secured on a parity with the Series Three-A Bonds, (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act.

Trustee's Right to Payment

The Trustee shall have a lien, with right of payment prior to payment of interest on or principal of the Bonds, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee).

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable arbitrage rebate requirements under Section 148(f) of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or Bond proceeds.

Events of Default

The following are Events of Default under the Indenture:

(a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or

(b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the University (giving the University the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

(d) If any "event of default" on the part of the University, as that term is defined in the Loan Agreement, shall occur and be continuing.

Remedies

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

In the case of the breach of any of the covenants or conditions of the Loan Agreement or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture) shall be obligated to take such action or actions for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the reference or prime rate of Norwest Bank Minnesota, National Association, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of

Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the University to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

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

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

Defeasance

If the Authority and the University shall:

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

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

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the University for the Authority under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

(d) surrender to the Trustee for cancellation of all Bonds,

and shall also pay all other sums due and payable under the Indenture by the Authority, and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder, then at the request of the Authority or the University all the Trust Estate shall revert to the Authority and the University as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

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

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

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

(c) to evidence the succession of any other department, agency, body or corporation to the Authority;

(d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same; and

(e) to create a series of and authorize Additional Bonds.

In addition and subject to the provisions set forth below, the Holders of not less than 65% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except for Additional Bonds as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement or the Security Agreement as set forth in the Indenture.

Amendments to the Loan Agreement

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 65% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the loan repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee.

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

Financial Statements

May 31, 1990

KPMG Peat Marwick

Certified Public Accountants

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

Trustees of the Hamline University
of Minnesota
St. Paul, Minnesota:

We have audited the accompanying balance sheet of the Hamline University of Minnesota (the University) as of May 31, 1990 and the related statements of changes in fund balances (deficit) and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hamline University of Minnesota at May 31, 1990 and the changes in its fund balances (deficit) and its current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements of current funds revenues, expenditures and other changes of the College of Liberal Arts and University and of the School of Law for the year ended May 31, 1990, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick

September 8, 1990

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

Balance Sheet

May 31, 1990
(with comparative totals for May 31, 1989)

Assets	1990	1989
Current funds:		
Unrestricted:		
Cash and temporary investments	$ 8,442,150	6,307,581
Receivables (note 4)	777,447	707,214
Inventories (note 1)	176,169	162,076
Prepaid expenditures	86,216	118,082
Interfund accounts (note 5)	(4,543,271)	(4,412,687)
Investments (notes 1, 2 and 3)	45,280	23,200
Total unrestricted	4,983,991	2,905,466
Restricted:		
Receivables (note 4)	330,334	199,420
Interfund accounts (note 5)	1,404,547	1,068,982
Total restricted	1,734,881	1,268,402
Total current funds	$ 6,718,872	4,173,868
Loan funds:		
Cash and temporary investments	445,174	981,962
Receivables (note 4)	4,172,878	3,222,651
Interfund accounts:		
Current (note 5)	(140,548)	(132,639)
Total loan funds	$ 4,477,504	4,071,974
Endowment and similar funds:		
Cash and temporary investments	849,698	971,592
Interfund accounts (note 5):		
Current	(270,196)	714,795
Loans to investment in plant fund	173,501	201,105
Endowment funds temporarily invested in deposits with Trustee under bond indentures	110,000	110,000
Investments (notes 1, 2 and 3)	20,158,205	17,457,348
Total endowment and similar funds	$ 21,021,208	19,454,840
Annuity and life income funds:		
Cash and temporary investments	185,886	84,004
Receivables (note 4)	5,586	14,034
Interfund:		
Current (note 5)	(24,694)	(312,549)
Investments (notes 1, 2 and 3)	1,009,184	1,437,518
Total annuity and life income funds	$ 1,175,962	1,223,007

Liabilities and Fund Balances	1990	1989
Current funds:		
Unrestricted:		
Accounts payable and accrued expenses	$ 4,389,356	2,592,864
Deposits and deferred credits	594,635	476,663
	4,983,991	3,069,527
Fund balances (deficit)	-	(164,061)
Total unrestricted	4,983,991	2,905,466
Restricted:		
Fund balances	1,734,881	1,268,402
Total restricted	1,734,881	1,268,402
Total current funds	$ 6,718,872	4,173,868
Loan funds:		
Fund balances:		
U.S. government grants refundable	3,892,553	3,555,026
Private grants refundable	98,608	75,746
University funds	486,343	441,202
Total fund balances	4,477,504	4,071,974
Total loan funds	$ 4,477,504	4,071,974
Endowment and similar funds:		
Fund balances:		
Quasi endowment	2,705,365	2,369,600
Endowment	18,315,843	17,085,240
Total fund balances	21,021,208	19,454,840
Total endowment and similar funds	$ 21,021,208	19,454,840
Annuity and life income funds:		
Annuities payable	352,034	462,817
Fund balances:		
Life income	408,705	387,386
Annuities	415,223	372,804
Total fund balances	823,928	760,190
Total annuity and life income funds	$ 1,175,962	1,223,007

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

Balance Sheet, Continued

Assets	1990	1989
Plant funds:		
Unexpended:		
Interfund accounts:		
Current (note 5)	$ 3,468,932	3,083,038
Loan to investment in plant	521,995	-
Total unexpended plant funds	$ 3,990,927	3,083,038
Renewal and replacement:		
Interfund accounts:		
Current (note 5)	132,382	96,794
Deposits with Trustee under bond indentures (note 6)	255,833	235,441
Total renewal and replacement	$ 388,215	332,235
Retirement of indebtedness:		
Receivable (note 4)	164,117	228,081
Interfund accounts:		
Current (note 5)	(114,117)	(115,213)
Endowment funds temporarily invested in deposits with Trustee under bond indentures	(110,000)	(110,000)
Deposits with Trustee under bond indentures (note 6)	1,561,490	1,556,111
Total retirement of indebtedness	$ 1,501,490	1,558,979
Investment in plant:		
Prepaid expenses	145,132	156,117
Interfund accounts (note 5):		
Current	86,965	9,479
Endowment fund loans	(173,501)	(201,105)
Investment in physical plant (note 1):		
Land	1,089,135	1,089,135
Land improvements	1,130,351	1,103,616
Buildings	29,427,401	27,476,155
Equipment	4,381,717	3,253,116
Library books and other	1,496,617	1,294,973
Total investment in plant	$ 37,583,817	34,181,486

Liabilities and Fund Balances	1990	1989
Plant funds:		
Unexpended:		
Accounts payable and accrued expenses	$ 30,777	-
Fund balances:		
Restricted	1,135,380	1,224,898
Unrestricted	2,824,770	1,858,140
Total fund balances	3,960,150	3,083,038
Total unexpended plant funds	$ 3,990,927	3,083,038
Renewal and replacement:		
Fund balances:		
Restricted	255,833	235,441
Unrestricted	132,382	96,794
Total fund balances	388,215	332,235
Total renewal and replacement	$ 388,215	332,235
Retirement of indebtedness:		
Accounts payable and accrued expenses	-	33,359
Long-term financing (note 6)	1,116,600	1,116,600
Fund balance - restricted	384,890	409,020
Total retirement of indebtedness	$ 1,501,490	1,558,979
Investment in plant:		
Long-term financing (note 6)	7,302,819	7,757,512
Loan from unexpended - computer	521,995	-
	7,824,814	7,757,512
Fund balance	29,759,003	26,423,974
Total investment in plant	$ 37,583,817	34,181,486

See accompanying notes to financial statements.

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

Statement of Changes in Fund Balances (Deficit)

Year ended May 31, 1990
(with comparative amounts for year ended May 31, 1989)

Year ended May 31, 1990	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds Unexpended	Plant Funds Renewal and Replacement	Plant Funds Retirement of Indebtedness	Plant Funds Investment in Plant
Revenues and other additions:									
Current fund revenues	$ 27,048,190	-	-	-	-	-	-	-	-
Gifts, grants and contracts:									
Private gifts and grants	-	889,924	27,050	734,267	38,000	2,133,081	-	-	-
Federal grants and contracts	-	1,544,536	334,798	-	-	-	-	27,489	-
State grants and contracts	-	1,963,866	-	-	-	-	-	-	-
Endowment income - restricted	-	807,640	7,538	13,077	-	-	-	-	-
Investment income	-	-	143,814	-	-	105,792	20,392	122,097	-
Distribution of endowment gains	-	-	-	189,701	-	-	-	-	-
Gain (loss) on sale of investments	-	-	-	-	888	-	-	-	-
Expended for plant facilities (including $514,605 charged to current funds expenditures)	-	-	-	-	-	-	-	-	3,308,226
Retirement of indebtedness	-	-	-	-	-	-	-	-	482,298
Interfund borrowings	-	-	-	-	-	521,995	-	-	-
Miscellaneous	-	100,260	-	-	24,850	30,890	4,818	(5,936)	-
Total revenues and other additions	27,048,190	5,306,226	513,200	937,045	63,738	2,791,758	25,210	143,650	3,790,524
Expenditures and other deductions:									
Educational and general expenditures	21,230,101	5,007,560	-	-	-	-	-	-	-
Auxiliary enterprises expenditures	2,793,117	47,451	-	-	-	-	-	-	-
Expenditures for other designated purposes	-	-	6,682	-	-	64,996	8,045	-	4,048
Indirect costs recovered	-	-	37,241	-	-	-	-	-	-
Provision for doubtful loans and loan cancellations	-	-	100,947	-	-	-	-	-	-
Expenditures for plant facilities	-	-	-	-	-	2,752,741	-	-	-
Interest on indebtedness	-	-	-	-	-	-	-	651,804	-
Retirement of indebtedness	-	-	-	-	-	-	-	482,646	-
Interfund borrowings	-	-	-	-	-	-	-	-	521,995
Total expenditures and other deductions	24,023,218	5,055,011	144,870	-	-	2,817,737	8,045	1,134,450	526,043
Interfund transfers:									
Mandatory transfers for debt service	(977,634)	-	-	-	-	15,671	-	961,963	-
Mandatory transfer for federal loan matching	(37,200)	-	37,200	-	-	-	-	-	-
Nonmandatory transfers:									
To service interfund borrowings	(25,255)	-	-	-	-	-	-	25,255	-
Renewals and replacement reserve	(8,675)	(140)	-	-	-	(30,000)	38,815	-	-
Other nonmandatory transfers	(1,812,147)	215,404	-	629,323	-	917,420	-	(20,548)	70,548
Total interfund transfers	(2,860,911)	215,264	37,200	629,323	-	903,091	38,815	966,670	70,548
Net increase (decrease) in fund balances:									
Designated income stabilization	164,061	-	-	-	-	-	-	-	-
Undesignated fund balance	-	466,479	405,530	1,566,368	63,738	877,112	55,980	(24,130)	3,335,029
Fund balances (deficit) at May 31, 1989	(164,061)	1,268,402	4,071,974	19,454,840	760,190	3,083,038	332,235	409,020	26,423,974
Fund balances at May 31, 1990	$ -	1,734,881	4,477,504	21,021,208	823,928	3,960,150	388,215	384,890	29,759,003

See accompanying notes to financial statements.

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

Statement of Changes in Fund Balances (Deficit)

Year ended May 31, 1990
(with comparative amounts for year ended May 31, 1989)

	Current Funds					Plant Funds			
Year ended May 31, 1989	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Revenues and other additions:									
Current fund revenues	$ 23,480,681	-	-	-	-	-	-	-	-
Gifts, grants and contracts:									
Private gifts and grants	-	743,698	15,150	800,613	499,352	1,344,654	-	-	-
Federal grants and contracts	-	1,172,330	331,802	-	-	-	-	41,730	-
State grants and contracts	-	1,606,321	-	-	-	-	-	-	-
Endowment income - restricted	-	731,496	7,538	18,574	-	-	-	-	-
Investment income	-	-	157,797	-	-	-	17,536	112,635	-
Distribution of endowment gains	-	-	-	(235,007)	-	-	-	-	-
Gain (loss) on sale of investments	-	-	-	-	60,903	-	-	-	-
Expended for plant facilities (including $419,881 charged to current funds expenditures)	-	-	-	-	-	-	-	-	1,615,666
Retirement of indebtedness	-	-	-	-	-	-	-	-	440,440
Miscellaneous	-	60,770	1,942	-	(355,929)	13,515	1,219	13,515	-
Total revenues and other additions	23,480,681	4,314,615	514,229	584,180	204,326	1,358,169	18,755	167,880	2,056,106
Expenditures and other deductions:									
Educational and general expenditures	18,422,304	4,361,788	-	-	-	-	-	-	-
Auxiliary enterprises expenditures	2,642,738	56,323	-	-	-	-	-	-	-
Expenditures for other designated purposes	-	-	17,168	-	-	50,656	34,185	7,533	-
Indirect costs recovered	-	-	67,006	-	-	-	-	-	-
Provision for doubtful loans and loan cancellations	-	-	(124,581)	-	-	-	-	-	-
Expenditures for plant facilities	-	-	-	-	-	1,181,401	-	-	-
Interest on indebtedness	-	-	-	-	-	-	-	706,372	-
Retirement of indebtedness	-	-	-	-	-	-	-	436,844	-
Total expenditures and other deductions	21,065,042	4,418,111	(40,407)	-	-	1,232,057	34,185	1,150,749	-
Interfund transfers:									
Mandatory transfers for debt service	(980,533)	-	-	-	-	-	-	980,533	-
Mandatory transfer for federal loan matching	(36,866)	-	36,866	-	-	-	-	-	-
Nonmandatory transfers:									
To service interfund borrowings	(16,281)	-	-	-	-	-	-	16,281	-
Renewals and replacement reserve	(3,486)	(70)	-	-	-	-	3,556	-	-
Other nonmandatory transfers	(1,151,927)	228,352	-	(73,804)	-	997,379	-	-	-
Total interfund transfers	(2,189,093)	228,282	36,866	(73,804)	-	997,379	3,556	996,814	-
Net increase (decrease) in fund balances:									
Designated income stabilization	171,656	-	-	-	-	-	-	-	-
Undesignated fund balance	54,890	124,786	591,502	510,376	204,326	1,123,491	(11,874)	13,945	2,056,106
Fund balances (deficit) at May 31, 1988	(390,607)	1,143,616	3,480,472	18,944,464	555,864	1,959,547	344,109	395,075	24,367,868
Fund balances (deficit) at May 31, 1989	$ (164,061)	1,268,402	4,071,974	19,454,840	760,190	3,083,038	332,235	409,020	26,423,974

See accompanying notes to financial statements.

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

Statement of Current Funds Revenues, Expenditures and Other Changes

Year ended May 31, 1990
(with comparative amounts for year ended May 31, 1989)

	1990			1989		
	Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
Revenues:						
Tuition and fees	$ 21,535,914	-	21,535,914	18,310,850	-	18,310,850
Federal grants and contracts	106,480	1,503,460	1,609,940	82,216	1,420,911	1,503,127
State grants and contracts	-	1,967,692	1,967,692	-	1,595,069	1,595,069
Private gifts and grants	625,379	714,184	1,339,563	559,414	521,823	1,081,237
Endowment income	617,800	613,713	1,231,513	609,848	670,795	1,280,643
Sales and services of educational activities	49,847	31,685	81,532	41,948	18,653	60,601
Other sources	868,961	9,014	877,975	810,686	49,898	860,584
Sales and services of auxiliary enterprises (note 7)	3,243,809	-	3,243,809	3,065,719	-	3,065,719
Total current revenues	27,048,190	4,839,748	31,887,938	23,480,681	4,277,149	27,757,830
Expenditures and mandatory transfers:						
Educational and general:						
Instruction	7,875,147	461,765	8,336,912	6,924,839	454,542	7,379,381
Research	-	9,436	9,436	-	13,152	13,152
Public service	15,167	208,675	223,842	15,405	161,782	177,187
Academic support	3,082,040	337,141	3,419,181	2,434,435	213,375	2,647,810
Student services	2,367,364	60,853	2,428,217	2,053,812	159,404	2,213,216
Institutional support	2,963,756	85,365	3,049,121	2,354,109	116,085	2,470,194
Operation and maintenance of physical plant	1,865,267	57,402	1,922,669	1,651,376	33,491	1,684,867
Scholarships and fellowships	3,061,360	3,571,660	6,633,020	2,988,328	3,068,995	6,057,323
Total educational and general expenditures	21,230,101	4,792,297	26,022,398	18,422,304	4,220,826	22,643,130
Auxiliary enterprises (note 7):						
Expenditures	2,793,117	47,451	2,840,568	2,642,738	56,323	2,699,061
Mandatory transfers for debt service	314,723	-	314,723	331,996	-	331,996
Total auxiliary enterprises	3,107,840	47,451	3,155,291	2,974,734	56,323	3,031,057
Mandatory transfers for debt service unrelated to auxiliary enterprises	662,911	-	662,911	648,537	-	648,537
Mandatory transfer for federal loan matching	37,200	-	37,200	36,866	-	36,866
Total expenditures and mandatory transfers	25,038,052	4,839,748	29,877,800	22,082,441	4,277,149	26,359,590
Other nonmandatory transfers and changes:						
Renewals and replacement reserve	(8,675)	(140)	(8,815)	(3,486)	(70)	(3,556)
Transfers to service interfund borrowings	(25,255)	-	(25,255)	(16,281)	-	(16,281)
Other nonmandatory transfers	(1,812,147)	215,404	(1,596,743)	(1,151,927)	228,352	(923,575)
Restricted receipts in excess of transfers to revenue	-	251,215	251,215	-	(103,496)	(103,496)
Total other nonmandatory transfers and changes	(1,846,077)	466,479	(1,379,598)	(1,171,694)	124,786	(1,046,908)
Net increase in fund balances	$ 164,061	466,479	630,540	226,546	124,786	351,332

See accompanying notes to financial statements.

All gains and losses arising from the sale, collection or other disposition of investments and other noncash assets are accounted for in the fund which owns such assets. Ordinary income derived from investments and receivables is accounted for in the fund owning such assets, except for the income derived from investments of endowment funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

Other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes. Pledges are not reflected in the financial statements until the assets are actually received.

<u>Inventories</u>

Inventories are carried at the lower of cost (first in, first out method) or market.

<u>Investment in Plant</u>

Land, buildings and other property included in the plant funds are stated at cost at dates of acquisition or fair value at dates of donation in the case of gifts. It is the policy of the University to capitalize the library books of the School of Law and expense the library books of the College of Liberal Arts. Although no provision is made for depreciation of physical plant and equipment, the investment in plant is reduced annually by the cost of equipment and other property disposals.

<u>Federal Income Taxes</u>

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

<u>Reclassifications</u>

Certain reclassifications of prior year amounts have been made for consistency.

Notes to Financial Statements

May 31, 1990

(1) Summary of Significant Accounting Policies

The financial statements are presented in accordance with generally accepted accounting principles. The more significant accounting policies are summarized below.

Accrual Basis

The financial statements of Hamline University (the University) are prepared on the accrual basis except that depreciation on buildings and equipment is not recorded. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds relating to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for principal and interest on indebtedness and renewals and replacements of plant; and (3) transfers of a nonmandatory nature, in other cases.

Fund Accounting

In order to observe the limits and restrictions placed on the use of available resources, the University uses the principles of "fund accounting." Resources for various purposes are classified into funds that characterize and reflect sources of revenues and specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Quasi endowment funds have been established by the Board of Trustees for a specific purpose and may be designated for other uses at the discretion of the Board.

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

(2) Investments

Investments are stated at cost, adjusted where appropriate for amortization of premiums and accrual of discounts. Investments received by gift are stated at market value at the date of acquisition. Investments of the endowment fund and similar funds, annuity and life income funds and the current unrestricted fund at May 31, 1990 (with comparative figures at May 31, 1989) consisted of the following:

	1990		1989	
	Cost	Market	Cost	Market
Endowment:				
U.S. government obligations	$ 163,796	167,199	155,456	161,843
Bonds	8,618,365	8,491,621	8,314,891	8,393,280
Common stocks	11,090,818	13,927,489	8,737,934	11,012,530
Mortgages and other	285,226	285,226	249,067	249,067
Total investments	20,158,205	22,871,535	17,457,348	19,816,720
Annuity and life income funds:				
U.S. government obligations	864,394	868,633	1,227,306	1,228,164
Other	144,790	144,777	210,212	210,150
Total annuity and life income funds	1,009,184	1,013,410	1,437,518	1,438,314
Current unrestricted fund:				
Common stocks	45,280	53,344	23,200	30,450
Total investments	$ 21,212,669	23,938,289	18,918,066	21,285,484

(3) Valuation and Performance of Endowment and Quasi Endowment Funds

Certain assets of the endowment and similar funds, having a cost basis of $19,762,149 are pooled.

During the year ended May 31, 1987 the University adopted an endowment total return spending policy. The Board of Trustees set a spending rate for all subsequent years to be equal to the amount distributed in 1986 plus 5% on all endowment additions after 1986. In future years, it is the Board of Trustees' intention to limit the spending rate to 5%.

The earnings to be distributed under the spending rate exceeded the endowment fund income by $315,935 for the year ended May 31, 1990 ($128,379 to unrestricted funds and $187,556 to restricted funds). This distribution was made from realized gains and is accounted for as a reduction from realized gains on the statement of changes in fund balances.

The total income earned on endowment, annuity and life income funds during the year ended May 31, 1990 amounted to $1,117,787, a yield of 4.6% on the average market value and 5.2% on the average carrying value. Comparative yields for the year ended May 31, 1989 are 5.1% on the average market value and 5.4% on the average carrying value. These earnings do not include net realized gains on endowment assets of $505,454 and $28,931 and unrealized appreciation of $2,707,318 and $2,360,216 for 1990 and 1989, respectively.

(4) Receivables

At May 31, 1990 the receivables balance consisted of the following with comparative information for May 31, 1989:

	1990	1989
Current unrestricted funds:		
Student	$ 325,401	321,978
Less allowance for losses in collection	(65,962)	(54,058)
Interest and endowment income	228,644	241,418
Gifts	168,809	120,606
Other	120,555	77,270
	777,447	707,214
Current restricted funds:		
Government grants	297,910	179,973
Other	32,424	19,447
	330,334	199,420
Loan funds:		
Student loans receivable	4,722,878	3,692,651
Less allowance for losses in collection	(550,000)	(470,000)
	4,172,878	3,222,651
Annuity and life income funds:		
Accrued interest receivable	5,586	14,034
Plant funds:		
Interest subsidy from government	164,117	228,081
	$ 5,450,362	4,371,400

(5) Interfund Accounts

Current fund interfund borrowings are without maturity dates. Borrowings from the endowment and similar funds group bear interest based on the current effective yield on investments (5.92% in 1990). Included in expenditures of the retirement of indebtedness plant fund are interest on indebtedness from interfund borrowings of $2,627 and payments for the retirement of indebtedness from interfund borrowings of $27,605.

(6) Long-term Financing, Commitments and Lines of Credit

Long-term financing at May 31, 1990 consisted of:

Hamline University Dormitory and Auxiliary Facilities Bonds of 1969 (original amount $2,250,000):	
Series A, 2.75%, payable in varying installments to June 1, 1996	$ 67,000
Series B, 3%, payable in varying installments to June 1, 1998	155,000
Series C, 3%, payable in varying installments to June 1, 2009	1,095,000
MHEFA Revenue Note of 1983, Series II-G, 8.6% to 10.25%, payable in varying installments to June 2001 (original amount $1,970,000) (Sorin Hall remodeling)	1,625,000
Mortgage payable, 9.75%, payable $19,200 monthly, including interest, to November 1991 (original amount $2,024,000) (Bush Memorial Library)	302,419
Capital lease obligation (original amount $6,000,000) (MHEFA, Series II-A) (Law School)	5,175,000
	$ 8,419,419

The Hamline University Dormitory and Auxiliary Facilities Bonds mature serially and require semiannual deposits on June 1 and December 1 of each year. The University may redeem the bonds at any time prior to maturity at a varying premium up to 3%. Buildings carried at $7,089,414, along with underlying land and deposits with Trustees under the bond indentures, are pledged as collateral to the bonds.

The University's loan agreement with the Minnesota Higher Education Facilities Authority (MHEFA) is bearing interest at 9.8% and requires accelerating annual principal installments ranging from $75,000 in 1991 to $525,000 in 2001 together with accrued interest. The proceeds were used to renovate the Sorin Hall dining room and kitchen, to refurbish other University residence halls, to fund a debt service reserve fund of $286,600 and to fund MHEFA's cost of issuance of its revenue bonds to fund the loan. Among other provisions, the agreement requires the University to pledge marketable securities and cash of its endowment fund group having an aggregate market value at the lesser of 75% of the original principal amount ($1,970,000) or 100% of the outstanding principal balance of the loan less the current balance in the debt service reserve account, which was $1,336,491 at May 31, 1990. Assets with a market value of $2,296,000 were pledged by the University as of May 31, 1990. In addition, the University is generally restricted from incurring additional long-term debt.

The Bush Memorial Library, which is carried at $3,303,942, is pledged as collateral to the mortgage payable. The University has obtained an interest subsidy grant from the federal government which reduces the effective annual interest rate on the mortgage to 3% over the life of the mortgage.

Annual debt requirements on the mortgage payable at May 31, 1990 are as follows:

Fiscal year ending May 31:

1991	$ 210,140
1992	92,279
Thereafter	-

The University entered into a lease agreement with the MHEFA dated November 1, 1979 whereby MHEFA would acquire a site for and construct a law school building. Under a trust indenture dated November 1, 1979, the MHEFA sold its First Mortgage Revenue Bond Series II-A (Trustees of Hamline University) totaling $6,000,000 in order to finance the project. The bonds bear interest at rates varying from 7.25% to 7.75% and mature in annual installments of $125,000 to $375,000, with the last payment of $1,275,000 due on June 1, 2008.

Under the terms of the lease agreement, the University must pay as base rent for the use of the facilities a sum equal to (1) the amount payable as principal and interest on the bonds; and (2) a payment to restore the bond and interest sinking fund to an amount equal to the next semiannual principal and interest payment reduced by the balance in the debt service reserve fund. Additional rent is payable by the University at the rate of $12,000 per year. The University has the option to purchase the leased premises for $500 at the end of the lease period.

Under the terms of the mortgage trust indenture of the bond issue, $100,000 of the bond proceeds were deposited with MHEFA in a general bond reserve account and recorded by the University as a deposit with Trustee under bond indentures. In addition, $42,500 is on deposit with MHEFA as a general reserve for the Series II-G bond issue. The general bond reserve accounts are maintained by MHEFA for debt service, if needed, for any bonds of MHEFA. The University will receive the original deposits with interest to the extent earned and available upon retirement of its bond series. Because the ultimate realization of the interest income is dependent upon the loss experience of MHEFA, the University has elected not to record interest income. The approximate cumulative amount of unrecorded interest income at May 31, 1990 was $135,834.

Minimum rental commitments at May 31, 1990 under this noncancelable lease are payable as follows:

Year ending May 31:

1991	$ 520,750
1992	511,687
1993	527,313
1994	516,062
1995	529,813
After 1995	7,515,000
Total minimum obligation	10,120,625
Less amount representing interest	4,945,625
Amounts recorded as long-term debt	$ 5,175,000

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

In addition to the minimum rental commitment due under the capital lease discussed above, the maturities and sinking fund requirements on the remaining long-term debt during the next five years and thereafter are as follows:

Year ending May 31:

1991	$ 139,000
1992	140,000
1993	170,000
1994	172,000
1995	172,000
After 1995	2,149,000

The University has credit agreements with various banks which allow the University to borrow up to $1,200,000 at the prime interest rate on an unsecured basis.

(7) Auxiliary Enterprises

Unrestricted current fund revenues and expenditures of auxiliary enterprises consist of:

	Revenues	Expenditures
Residence halls and other campus housing	$ 1,439,791	1,312,406
Dining halls	1,769,849	1,528,162
Bookstore	34,169	-
	$ 3,243,809	2,840,568
Mandatory transfers for debt service		314,723
Nonmandatory transfers to service interfund borrowings		23,255
Other nonmandatory transfers		65,263
		$ 3,243,809

(8) Construction Commitment

The University has committed to the construction of Orem Robbins Science Center with an estimated total cost of $6,234,000. As of May 31, 1990, $1,522,000 had been expended by the University. The balance of the cost is expected to be financed through pledges and contributions.

(9) Retirement Plan

The University participates in the Teachers Insurance and Annuity Association of America (TIAAA) program which covers certain full-time faculty and staff employees. Contributions equal to 10% of eligible employees' salaries are required under the program. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. Expenditures include $795,863 for this retirement plan for the year ended May 31, 1990.

(10) Funds Held in Trust by Others

Investments under the control of separate trusts for which all income is reserved for the University amounted to $80,108 in market value at May 31, 1990 and have not been included in the University's balance sheet. For the year ended May 31, 1990, the University received $3,654 from these trusts.

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OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
Suite 450, Galtier Plaza
175 East Fifth Street
Saint Paul, MN 55101

SALE DATE: July 31, 1991

RE: $4,430,000 Revenue Bonds, Series Three-A (Trustees of the Hamline University of Minnesota)

Offer

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $____________________ (Note: This amount may not be less than $4,350,000) and accrued interest to the date of delivery.

________% 1992	________% 1997	________% 2002	________% 2007
________% 1993	________% 1998	________% 2003	________% 2008
________% 1994	________% 1999	________% 2004	________% 2009
________% 1995	________% 2000	________% 2005	________% 2010
________% 1996	________% 2001	________% 2006	

In making this offer we accept all of the Terms and Conditions of Contract of Sale set forth on the reverse side of this Official Bid Form which are hereby incorporated by reference, including the provisions of the Official Terms of Offering published in the Official Statement dated July 17, 1991. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________

NET EFFECTIVE RATE: ____________ %

Account Members

____
Account Manager

BY: ____________________

Acceptance

The foregoing offer to purchase the Bonds at the price and interest rates set forth above and the Terms and Conditions of Contract of Sale set forth on the reverse side hereof is hereby accepted by the Issuer by its following officer, who is duly authorized and empowered to make such acceptance.

Dated: July 31, 1991

____
Executive Director

Received good faith check for return to bidder.
SPRINGSTED Incorporated by __________

TERMS AND CONDITIONS OF CONTRACT OF SALE

The bidders (the "Bidders-Underwriters") named on the face of this Official Bid Form and the Minnesota Higher Education Facilities Authority (the "Issuer"), by signing the forms of Offer and Acceptance respectively thereon and delivering the Official Bid Form, respectively agree to purchase and sell the Bonds of the issue described in the Official Bid Form and the Official Statement described therein, subject to the following:

1. Within two (2) business days following the date of Acceptance by the Issuer, the Bidders-Underwriters shall deliver to the Issuer or to Springsted Incorporated a schedule of reoffering yields and prices for the Bonds of each maturity of the issue. If the Bidders-Underwriters shall fail to deliver the reoffering schedule within two (2) business days following the Issuer's Acceptance, or such longer period as shall be acceptable to the Issuer, the Issuer shall have the right by written notice to the Bidders-Underwriters to terminate this Contract of Sale and retain as liquidated damages the amount of the check of the Bidders-Underwriters delivered to the issuer as required by the Official Terms of Offering (the "Good Faith Deposit").

2. The Authority represents that, prior to the award of sale of the Bonds, the Bonds have been registered for sale at a price not greater than par pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The Bidders-Underwriters agree not to sell any of the Bonds in Minnesota at a price or prices higher than par without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the Bidders-Underwriters may make an "offer" but agree not to make a "sale" (including any contract to sell) of any Bonds to their customers, as such terms are defined in the Minnesota Securities Act, at prices greater than par. Without limiting the generality of the foregoing, the Bidders-Underwriters agree not to mail or deliver any confirmations to customers or request the payment of funds from customers with respect to any Bonds reoffered at prices greater than par until such time as such amendment to the Order of Registration is effective.

3. After the award of sale of the Bonds, the Issuer or Springsted Incorporated as the Issuer's Financial Advisor shall prepare an addendum to the Official Statement specifying the names of the Bidders-Underwriters and the maturity dates, principal amounts, interest rates, reoffering prices and yields of the Bonds, together with any other information required by law, and such Official Statement, as supplemented, shall constitute a Final Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission. If the Bidders-Underwriters have complied with the provisions of paragraph (1) above, the Issuer shall deliver to the Bidders-Underwriters c/o the Account Manager (defined below) within seven (7) business days after the date of the Issuer's Acceptance 250 copies of such Final Official statement for the Bidders-Underwriters in order to comply with Rule 15c2-12 and Rules of the Municipal Securities Rulemaking Board. The Issuer hereby designates the Account Manager as its agent for purposes of distributing copies of the Final Official statement to each Bidder-Underwriter named on the Official Bid Form (the "Participating Underwriters"). The Account Manager hereby agrees that (i) it shall accept such designation as agent of the Authority for such purposes and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement. "Account Manager" shall mean the Bidder-Underwriter designated as such on the Official Bid Form or (if none is designated) the Bidder-Underwriter who the Authority believes has signed the Official Bid Form on behalf of the Bidders-Underwriters.

4. For as long as the Bidders-Underwriters are required to furnish copies of the Final Official Statement to potential customers under SEC Rule 15c2-12, the Issuer shall promptly give written notice to the Bidders-Underwriters c/o the Account Manager of any material misstatement in or omission from (as defined below) the information in the Final Official Statement made known to the Issuer or of which the Issuer becomes aware, including a copy of any notice of material misstatement or omission received from the Institution named in the Official Statement as required by the Bond Sale Agreement entered into between the Authority and the Institution in connection with the sale of the Bonds, and the Bidders-Underwriters shall promptly furnish the Issuer written notice of any material misstatement or omission made known to the Bidders-Underwriters (or any of the Bidders-Underwriters) or of which the Bidders-Underwriters (or any of them) become aware. The Issuer and the Bidders-Underwriters respectively agree to prepare and (to the extent reasonably possible) agree upon a sticker or other supplemental information to accompany the Final Official Statement (a "Sticker") to remedy the material misstatement or omission. The Bidders-Underwriters agree not to provide a Final Official Statement to any person after any material misstatement or omission in the final Official Statement is made known to the Bidders- Underwriters (or any of them) or of which the Bidders-Underwriters (or any of them) become aware without having attached a Sticker which (a) the Issuer and the Bidders-Underwriters have approved or (b) which the Bidders-Underwriters have approved and have filed with the Department and to which the Department has not objected. As used in this paragraph, a "material misstatement or omission" refers to any untrue statement of material fact in the Final Official Statement or the omission of any material fact from the Final Official Statement which makes the statements made therein, in light of the circumstances under which they were made, misleading, whether or not such material misstatement or omission arises from a change of circumstance after the date of the Final Official Statement.

5. If the Bidders-Underwriters represent by letter to the Issuer that they are purchasing the Bonds for investment and not with a view to redistribution thereof, the provisions of paragraphs 1 through 4 of these Terms and Conditions of Contract for Sale shall not apply.

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
Suite 450, Galtier Plaza
175 East Fifth Street
Saint Paul, MN 55101

SALE DATE: July 31, 1991

RE: $4,430,000 Revenue Bonds, Series Three-A (Trustees of the Hamline University of Minnesota)

Offer

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________% 1992	________% 1997	________% 2002	________% 2007
________% 1993	________% 1998	________% 2003	________% 2008
________% 1994	________% 1999	________% 2004	________% 2009
________% 1995	________% 2000	________% 2005	________% 2010
________% 1996	________% 2001	________% 2006	

In making this offer we accept all of the Terms and Conditions of Contract of Sale set forth on the reverse side of this Official Bid Form which are hereby incorporated by reference, including the provisions of the Official Terms of Offering published in the Official Statement dated July 17, 1991. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________

NET EFFECTIVE RATE: ____________ %

Account Members

____
Account Manager

BY: ____________________

Acceptance

The foregoing offer to purchase the Bonds at the price and interest rates set forth above and the Terms and Conditions of Contract of Sale set forth on the reverse side hereof is hereby accepted by the Issuer by its following officer, who is duly authorized and empowered to make such acceptance.

Dated: July 31, 1991

____
Executive Director

Received good faith check for return to bidder.
SPRINGSTED Incorporated by ________

TERMS AND CONDITIONS OF CONTRACT OF SALE

The bidders (the "Bidders-Underwriters") named on the face of this Official Bid Form and the Minnesota Higher Education Facilities Authority (the "Issuer"), by signing the forms of Offer and Acceptance respectively thereon and delivering the Official Bid Form, respectively agree to purchase and sell the Bonds of the issue described in the Official Bid Form and the Official Statement described therein, subject to the following:

1. Within two (2) business days following the date of Acceptance by the Issuer, the Bidders-Underwriters shall deliver to the Issuer or to Springsted Incorporated a schedule of reoffering yields and prices for the Bonds of each maturity of the issue. If the Bidders-Underwriters shall fail to deliver the reoffering schedule within two (2) business days following the Issuer's Acceptance, or such longer period as shall be acceptable to the Issuer, the Issuer shall have the right by written notice to the Bidders-Underwriters to terminate this Contract of Sale and retain as liquidated damages the amount of the check of the Bidders-Underwriters delivered to the issuer as required by the Official Terms of Offering (the "Good Faith Deposit").

2. The Authority represents that, prior to the award of sale of the Bonds, the Bonds have been registered for sale at a price not greater than par pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The Bidders-Underwriters agree not to sell any of the Bonds in Minnesota at a price or prices higher than par without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the Bidders-Underwriters may make an "offer" but agree not to make a "sale" (including any contract to sell) of any Bonds to their customers, as such terms are defined in the Minnesota Securities Act, at prices greater than par. Without limiting the generality of the foregoing, the Bidders-Underwriters agree not to mail or deliver any confirmations to customers or request the payment of funds from customers with respect to any Bonds reoffered at prices greater than par until such time as such amendment to the Order of Registration is effective.

3. After the award of sale of the Bonds, the Issuer or Springsted Incorporated as the Issuer's Financial Advisor shall prepare an addendum to the Official Statement specifying the names of the Bidders-Underwriters and the maturity dates, principal amounts, interest rates, reoffering prices and yields of the Bonds, together with any other information required by law, and such Official Statement, as supplemented, shall constitute a Final Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission. If the Bidders-Underwriters have complied with the provisions of paragraph (1) above, the Issuer shall deliver to the Bidders-Underwriters c/o the Account Manager (defined below) within seven (7) business days after the date of the Issuer's Acceptance 250 copies of such Final Official statement for the Bidders-Underwriters in order to comply with Rule 15c2-12 and Rules of the Municipal Securities Rulemaking Board. The Issuer hereby designates the Account Manager as its agent for purposes of distributing copies of the Final Official statement to each Bidder-Underwriter named on the Official Bid Form (the "Participating Underwriters"). The Account Manager hereby agrees that (i) it shall accept such designation as agent of the Authority for such purposes and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement. "Account Manager" shall mean the Bidder-Underwriter designated as such on the Official Bid Form or (if none is designated) the Bidder-Underwriter who the Authority believes has signed the Official Bid Form on behalf of the Bidders-Underwriters.

4. For as long as the Bidders-Underwriters are required to furnish copies of the Final Official Statement to potential customers under SEC Rule 15c2-12, the Issuer shall promptly give written notice to the Bidders-Underwriters c/o the Account Manager of any material misstatement in or omission from (as defined below) the information in the Final Official Statement made known to the Issuer or of which the Issuer becomes aware, including a copy of any notice of material misstatement or omission received from the Institution named in the Official Statement as required by the Bond Sale Agreement entered into between the Authority and the Institution in connection with the sale of the Bonds, and the Bidders-Underwriters shall promptly furnish the Issuer written notice of any material misstatement or omission made known to the Bidders-Underwriters (or any of the Bidders-Underwriters) or of which the Bidders-Underwriters (or any of them) become aware. The Issuer and the Bidders-Underwriters respectively agree to prepare and (to the extent reasonably possible) agree upon a sticker or other supplemental information to accompany the Final Official Statement (a "Sticker") to remedy the material misstatement or omission. The Bidders-Underwriters agree not to provide a Final Official Statement to any person after any material misstatement or omission in the final Official Statement is made known to the Bidders- Underwriters (or any of them) or of which the Bidders-Underwriters (or any of them) become aware without having attached a Sticker which (a) the Issuer and the Bidders-Underwriters have approved or (b) which the Bidders-Underwriters have approved and have filed with the Department and to which the Department has not objected. As used in this paragraph, a "material misstatement or omission" refers to any untrue statement of material fact in the Final Official Statement or the omission of any material fact from the Final Official Statement which makes the statements made therein, in light of the circumstances under which they were made, misleading, whether or not such material misstatement or omission arises from a change of circumstance after the date of the Final Official Statement.

5. If the Bidders-Underwriters represent by letter to the Issuer that they are purchasing the Bonds for investment and not with a view to redistribution thereof, the provisions of paragraphs 1 through 4 of these Terms and Conditions of Contract for Sale shall not apply.