OFFICIAL STATEMENT DATED SEPTEMBER 3, 1999

NEW ISSUE **Moody's Rating: Baa1**

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.")

$7,750,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-B
(Trustees of the Hamline University of Minnesota)
(Book Entry Only)

Dated Date: September 1, 1999 **Interest Due: April 1 and October 1, commencing April 1, 2000**

$1,410,000 serial bonds to mature annually on October 1 as follows:

Year	Amount	Interest Rate	Price	Year	Amount	Interest Rate	Price
2001	$110,000	4.45%	100	2006	$145,000	5.10%	100
2002	$115,000	4.60%	100	2007	$150,000	5.20%	100
2003	$125,000	4.75%	100	2008	$160,000	5.30%	100
2004	$130,000	4.875%	100	2009	$165,000	5.40%	100
2005	$135,000	5.00%	100	2010	$175,000	5.50%	100

$810,000 5.80% Term Bond due October 1, 2014 Price 100.00%

$1,330,000 5.95% Term Bond due October 1, 2019 Price 100.00%

$4,200,000 6.00% Term Bond due October 1, 2029 Price 100.00%

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption prior to maturity, as described herein. See "The Bonds—Prior Redemption—Optional Redemption." The Bonds will also be subject to optional redemption in whole in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. Term Bonds maturing October 1, 2014, 2019 and 2029 are subject to mandatory redemption in installments as described herein.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein). Norwest Bank Minnesota, National Association, Minneapolis, Minnesota ("Norwest") will act as Trustee.

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, Saint Paul, Minnesota (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.

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

The Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriter named below subject to the approval of legality by Faegre & Benson LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Oppenheimer Wolff & Donnelly LLP, Minneapolis, Minnesota and for the Underwriter by Briggs and Morgan, Professional Association, Minneapolis, Minnesota. The Bonds are expected to be available for delivery on or about September 14, 1999.

DAIN RAUSCHER INCORPORATED

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

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

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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

J. Luther Anderson, Executive Director

Bond Counsel
Faegre & Benson LLP

Financial Advisor
Springsted Incorporated

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$7,750,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FIVE-B
(Trustees of the Hamline University of Minnesota)

(BOOK ENTRY ONLY)

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, a Minnesota nonprofit corporation, as owner and operator of Hamline University (the "University"), an institution of higher education located in St. Paul, Minnesota, in connection with the issuance of the Authority's $7,750,000 Revenue Bonds, Series Five-B (Trustees of the Hamline University of Minnesota) (the "Bonds," the "Series Five-B 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, as trustee (the "Trustee").

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 be used to (i) finance the construction, furnishing and equipping of a student resident building with capacity for 147 students in 59 units, including underground and surface parking and related demolition and site improvements (collectively the "Project"), (ii) fund a debt service reserve and (iii) pay certain issuance costs.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the University. See "SUMMARY OF SECURITY FOR THE BONDS" herein.

The Reserve Account will be funded from proceeds of the Bonds in an amount equal to the Reserve Requirement. (See "RESERVE ACCOUNT" herein and Appendix IV, "DEFINITION OF CERTAIN TERMS".)

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

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

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

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable by the University 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. The Bonds are not secured by a mortgage.

Adequacy of Revenues

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

The operation of the Project will increase the University's overall expenditures, and the University's ability to generate unrestricted revenues in excess of expenditures will depend upon the extent to which it realizes increased revenues from its on-campus student housing facilities, including the Project, after the Project is placed in service. Units in the Project will rent at significantly higher rates than other available student housing. The University believes that the demand for on-campus housing, in particular among graduate and law students, is sufficient to support a high level of occupancy in the Project and other on-campus housing facilities. There can be no assurance, however, that the Project alone will generate sufficient unrestricted revenues in excess of expenditures to provide for the increased debt service obligations of the University as a result of the issuance of the Bonds, or that the opening of the Project will not result in a net decrease of unrestricted revenues in excess of expenditures derived from on-campus housing as a whole.

Competition

Competition among institutions of higher education is intense nationally and within the upper midwest region from which the University draws the majority of its students. The University of St. Thomas, a Minnesota private institution, has announced plans to operate a law school on its Minneapolis campus, beginning in the fall of 2001. St. Thomas has recently hired the dean of the University of Notre Dame Law School to be the head of the Law School. Universities and colleges compete principally based on location, tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the University could be adversely affected. In addition, competitive pressures could result in tuition reductions or the inability to raise tuition, which could adversely affect the University's unrestricted net assets.

Reliance on Tuition

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 and accepting offers of admission. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges and law schools, a change in the number of college-age students generally, and adverse general economic conditions could influence the number of applicants to the University.

Financial Aid

Approximately 78.9% of the University's students currently receive some form of financial aid covering tuition and fees or living expenses from the University and other sources. No assurance can be given that financial aid from Federal, State or University sources 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.

Construction Delays

The University expects to complete and occupy the Project in time for the 2000 Fall term. Any construction delays, including, but not limited to, work stoppages, shortages of materials, or sufficiency of funds to complete the Project, would adversely impact the University's ability to complete the Project in time, which may result, among other things, in cost overruns and delay in receipt of revenues from the Project.

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 "Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of University revenues to satisfy University operations 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 and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the University under the Loan Agreement and the Reserve Account.

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. As described under "SUMMARY OF SECURITY FOR THE BONDS - Financial Covenants" in this Official Statement, the University has covenanted in the Loan Agreement not to mortgage or grant liens on campus facilities financed with proceeds of the Bonds. Under the terms of a separate loan agreement relating to revenue bonds issued on behalf of the University in 1996, substantially all the existing campus of the University is subject to a similar negative pledge. The University may, however, in the future permit mortgages and liens on subsequently acquired or constructed campus facilities not part of the existing campus. In the event of University bankruptcy, lenders holding mortgages or liens on such new facilities may have priority over claims of Bondholders in bankruptcy proceedings. The University may issue debt in the future for which it may pledge a portion of general revenues.

Year 2000

Many currently installed computer systems, software products, and other devices and equipment which incorporate microprocessors are coded to accept two digit entries in the date code field. Any of those systems, products, devices and equipment that are time sensitive may recognize a date using "00" as the year 1900 rather than the year 2000. If not corrected, such systems, products, devices and equipment could fail or create erroneous results by, at, or after January 1, 2000 (the "Year 2000 problem").

There can be no assurance that a Year 2000 problem of the University, or any entity with which the University does business or from which the University receives funds (including the federal government), will not have a material adverse effect on the University, or jeopardize the University's ability to pay its obligations, including the Loan Repayments. (See "Year 2000 Readiness Disclosure" in Appendix I and "DTC Year 2000 Readiness" and "Trustee Year 2000 Readiness" herein.)

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

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission ("SEC"), pursuant to the Securities Exchange Act of 1934 (the "Rule"), the University will enter into an undertaking (the "Undertaking") with the

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

THE BONDS

The Bonds will be dated September 1, 1999 and will mature annually each October 1, commencing October 1, 2001, 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 on any principal payment date, 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, 2000.

Book Entry Only System

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered security certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

DTC Year 2000 Readiness

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Trustee Year 2000 Readiness

Norwest, the Trustee, has informed members of the Industry of its efforts regarding Year 2000 problems.

In order to assure that its information systems are able to properly process data on and after December 31, 1999, Norwest is in the process of conducting a detailed inventory and assessment of all of its computer hardware and software systems and imbedded chip technology ("Information Systems") and of its business and operations that could be adversely affected by its failure to be so compliant on a timely basis. In that regard, Norwest is developing, funding, and implementing a project plan to make its Information Systems "Year 2000 Compliant".

Norwest has also initiated a process to determine whether its material suppliers, vendors, and customers have taken meaningful steps to become Year 2000 Compliant on a timely basis, and is developing and implementing a feasible contingency plan to ensure the uninterrupted and unimpaired operation of its business in the event of the failure of the systems of such third parties or of its own Information Systems.

The information in this section concerning DTC, DTC's book entry system, and DTC and Trustee Year 2000 readiness has been obtained from sources that the Authority and the

University believe to be reliable, but neither the Authority nor the University takes any responsibility for the accuracy thereof.

Prior Redemption

Mandatory Redemption

Bonds maturing on October 1, 2014, 2019 and 2029 shall be called for redemption on October 1 in the years 2011 through 2013, 2015 through 2018, and 2020 through 2028, respectively, at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Term Bonds Due October 1, 2014		Term Bonds Due October 1, 2019		Term Bonds Due October 1, 2029	
Year	Amount	Year	Amount	Year	Amount
2011	$185,000	2015	$235,000	2020	$315,000
2012	$195,000	2016	$250,000	2021	$335,000
2013	$210,000	2017	$265,000	2022	$355,000
2014*	$220,000	2018	$280,000	2023	$380,000
		2019*	$300,000	2024	$400,000
				2025	$425,000
				2026	$455,000
				2027	$480,000
				2028	$510,000
				2029*	$545,000

* *Stated maturity.*

The Bonds or portions thereof to be so redeemed shall be selected by the Trustee by lot or in such other random manner as the Trustee shall determine.

The Bonds maturing in 2014, 2019 and 2029, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the University, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

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

Optional Redemption

Bonds maturing on or after October 1, 2010 are subject to optional redemption on October 1, 2009, and on any date thereafter if in whole and on any interest payment date thereafter if in part, in such order of maturity as directed by the University and selected by random means within a maturity, in integral multiples of $5,000, at par plus accrued interest.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption in whole on any date for which due notice can be given, in integral multiples of $5,000, at par and accrued interest in certain cases of damage to or destruction or condemnation of the Project Facilities, as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS—The Loan Agreement").

Redemption in Case of Taxability

In the case of a Determination of Taxability, the Bonds shall also be subject to optional redemption in whole or in part on the next date for which due notice can be given and any date thereafter at a price of par and accrued interest without premium.

Partial Redemption

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

In the case of Bonds of denominations greater than $5,000, if 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. 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 protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the date on which the principal of the Bonds is paid. See "TAX EXEMPTION" herein and "DEFINITION OF CERTAIN TERMS" in Appendix IV.

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 the 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 comply with certain financial covenants as further provided in Section 6.14 of the Loan Agreement and deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as shall bring the amount on deposit in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of the Additional Bonds.

THE PROJECT

The Project consists of the construction, furnishing, and equipping of an apartment-style student residence building with capacity for 147 students in 59 units, and includes 62 underground parking spaces and 49 surface parking spaces. The Project is to be located on the University campus in Saint Paul, Minnesota.

The three-story building will be frame construction with stucco and rock faced exterior. The building is expected to be occupied primarily by graduate and upperclass undergraduate students. The 59 units in the building consist of 5 studio, 39 two-bedroom, 8 three-bedroom, and 7 four-bedroom apartments. The building has been designed to respond to student preferences identified by the University. Units will be fully furnished, including appliances, with central heating and air-conditioning, 24-hour security, campus data network, telephone, and cable television connections.

The architect for the Project is Ellness Swenson Graham. The architect has extensive experience in designing college residence halls. The University has entered into a guaranteed maximum price construction contract with McGough Construction to build the Project. The President of McGough Construction, Thomas J. McGough, Sr., is a member of the University Board of Trustees. The guaranteed maximum price to construct the Project is $6,108,965. Total project costs (including site preparation, architectural design services, etc.) are estimated to be $6,845,000. Site clearing and site preparation are scheduled to begin in August, 1999 and the Project is expected to be completed by fall 2000.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Series Five-B Bond Principal	$7,750,000
University Funds	57,250
Total Sources	$7,807,250
Uses of Funds	
Project Costs	$7,017,300
Reserve Account	577,700
Issuance Costs and Underwriter's Discount	212,250*
Total Uses	$7,807,250

* *Insofar as issuance costs (including underwriter's discount) exceed 2% of the proceeds of the Bonds, defined as par less any original issue discount, 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 first interest payment date.

SUMMARY OF SECURITY FOR THE BONDS

General Obligation of the University

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 from proceeds of the Bonds in the amount of the Reserve Requirement.

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

Financial Covenants

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 so long as the Bonds shall remain outstanding:

a. The Revenue/Expenditure Test must be met in at least two of the preceding three complete Fiscal Years.

b. Commencing with the Fiscal Year ending June 30, 1999, and at the end of each Fiscal Year thereafter, Unrestricted Liquid Funds shall be not less than $2,000,000. Within 120 days after the end of each Fiscal Year, the University shall furnish to the Trustee a certificate of an Authorized Institution Representative showing the Unrestricted Liquid Funds as of the end of the Fiscal Year. If at the end of any Fiscal Year, Unrestricted Liquid Funds does not equal or exceed $2,000,000, the University shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the University for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

c. The University shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt which does not increase the Maximum Annual Debt Service and further excepting indebtedness for capital projects for which the University has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the average Debt Service Coverage Ratio for the two most recent Fiscal Years for which audited financial statements are available was at least 110%, calculated by dividing the Net Income Available for Debt Service by the Maximum Annual Debt Service of (A) then Outstanding Funded Debt and (B) Funded Debt thereafter incurred or proposed to be incurred; provided that if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year for which audited financial statements are available, for purposes of this paragraph, the estimated amount of 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 University and the Trustee; and provided further that if the additional Funded Debt proposed to be incurred 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, there shall be added to Net Income Available for Debt Service for the two most recent complete Fiscal Years for which audited financial statements are available the amount of increase net of increased operating expenses, as estimated in a report of an Independent Management Consultant to the University and the Trustee.

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

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial statements of the University, adjusted to: (a) exclude depreciation and amortization expense and include (as a reduction to unrestricted net assets) the cost of current year equipment acquisitions which have been funded through operations and capitalized; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment and not funded through operations; (c) exclude extraordinary gains or losses; and (d) exclude investment return in excess of amount designated for current operations.

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

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

"Maximum Annual Debt Service" means 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 on the variable rate indebtedness 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 to the following extent: 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 200% then 100% of such Funded Debt shall be excluded; if such Debt Service Coverage Ratio is at least 150%, then 50% of such Funded Debt shall be excluded; if such Debt Service Coverage Ratio is at least 125%, then 25% of such Funded Debt shall be excluded; and if such Debt Service Coverage Ratio is below 125%, then none of such Funded Debt shall be excluded. (iii) The amount of debt service with respect to "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; as used herein, "balloon indebtedness" means Funded Debt 25% or more of the principal of which is due in any 12 month period. (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 bank or other 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 (A) 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 and (B), if subject to variable rates, is then in an interest rate reset period of more than two years. (v) There shall not be taken into account any part of the Funded Debt of the University which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from monies and investments held by an indenture trustee or escrow agent, provided that any such investments shall be 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, a copy of which is filed with the Trustee. (viii) The amount of any reserve fund for any 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 fund moneys may be used without creating a default.

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

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

"Unrestricted Liquid Funds" means, as of any date, the aggregate of the unrestricted cash and unrestricted marketable securities (valued at fair market value) of the University as of such date, from which there shall be subtracted each of the following: (i) the then outstanding aggregate principal amount of all indebtedness for borrowed money of the University which is not Funded Debt, (ii) the value of all self-insurance liabilities of the University determined by an Independent actuary as of such date, and (iii) any liability of the University under any pension plan or other employee benefit plan as of such date to the extent not funded by irrevocable deposit with a third-party trustee. Unrestricted Liquid Funds shall not include any debt service reserve fund or any other funds held by the lender or trustee maintained with respect to Funded Debt of the University (such as, but not limited to, any debt service or bond fund or any construction or project fund).

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of nonprofit corporations similar to the University, as applied by the University's auditors in the report of the University's financial statements.

Negative Pledge

As further security for the Bonds, the University covenants in the Loan Agreement that except for Permitted Encumbrances, it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in or permit the creation of any encumbrance on the Project Site or Project Building.

Under the terms of a separate loan agreement relating to revenue bonds issued on behalf of the University in 1996, substantially all the existing campus of the University, including the site of the Project, is subject to a similar negative pledge. This negative pledge, however, will terminate whenever the University fully satisfies its obligations under such loan agreement, which would occur in the event the related revenue bonds are redeemed prior to, or upon, final maturity in the year 2017. A termination of such negative pledge would permit the University to mortgage campus property, other than the Project, in connection with future financings. See "RISK FACTORS – Bankruptcy."

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 certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds, are to be deposited into the Construction Account, except that the amount of the Reserve Requirement will be deposited into the Reserve Account, and accrued interest, if any, 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, the Reserve Account, or the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account and the Reserve Account. In addition to such proceeds of the Bonds, by the Loan Agreement, the University has covenanted that it will provide and apply additional funds, if any, which, together with Bond proceeds, will be sufficient to provide for the payment of all Project Costs and all other costs relating to the Project. The Authority shall have no obligation to deposit any moneys in said Construction Account or apply moneys to Project Costs except proceeds of the Bonds or funds made available therefor by the University.

The moneys in the Construction Account shall be held in trust by the Trustee and applied to the payment and reimbursement of Project Costs and pending such application shall be subject to a lien and charge in favor of the Holders of the Bonds and shall be held for the further security of such Holders until disbursed pursuant to the terms of the Indenture.

Payments may be made from the Construction Account for costs of improvement, acquisition, construction and equipping of the Project ("Project Costs"), provided, however, that proceeds of the Bonds may not be applied to the costs of issuance thereof (including underwriting discount) in an amount in excess of two percent of the proceeds (par value less original issue discount according to the reoffering scale) of the Bonds.

Project Costs shall be paid only upon written order of an authorized institution representative; however, interest accruing on the Bonds during the Construction Period may be paid from the Construction 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 forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of the first day of the calendar month next preceding April 1, 2000 and each interest payment date thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the amount of the Reserve Requirement, or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

Interest and income in the 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 Construction Account, Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States Government, its agencies, state and local governments; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; 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. A representative of the Minnesota Higher Education Services Office and the President or designee of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $500 million. The Authority has had 116 issues (including refunded and retired issues) totaling $728,831,189 of which $412,695,212 (excluding the Bonds) is outstanding as of July 1, 1999. No additional debt is authorized but unissued as of that date. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

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

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

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

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds are being purchased by Dain Rauscher Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $7,664,750 (representing the aggregate principal amount of the Bonds less an Underwriter's discount of $85,250) plus accrued interest.

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

The University has agreed in the Bond Purchase Agreement to indemnify the Underwriter and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of "Baa1" to the Bonds with a stable outlook. The rating and the outlook reflect only the view of such rating agency. Further information concerning the rating is available from Moody's. There is no assurance that the rating or the outlook will continue for any given period of time or that they may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating or outlook may have an adverse effect on the market price of 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 LLP of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the University by Oppenheimer Wolff & Donnelly LLP, Minneapolis, Minnesota and for the Underwriter by Briggs and Morgan, Professional Association, Minneapolis, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and

(4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

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

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

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

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

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

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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APPENDIX I

THE UNIVERSITY

Hamline University, located in Saint Paul, Minnesota, is a selective, private, nonprofit, co-educational 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 24 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 Universities and Secondary Schools; American Chemical Society; National Association of Schools of Music; University Senate of the United Methodist Church; and the Minnesota Board of Teaching. The School of Law is also accredited by the North Central Association of Universities and Secondary Schools and is accredited by the American Bar Association and the American Association of Law Schools. The Graduate School is accredited by the North Central Association of Universities and Secondary Schools, National Council for Accreditation of Teacher Education, and the Minnesota Board of Teaching.

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, 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 Annual Conference of the United Methodist Church. There are currently 40 Trustees. Officers and Trustees of the University are elected by the University's Board of Trustees at its annual meeting in May and confirmed at the Conference's annual meeting held each June. The Executive Committee of the Board of Trustees has the authority and power to act on behalf of the Board.

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* *Executive Committee members.*

The University also has 11 Life Trustees who participate, but do not vote, in full Board of Trustees meetings, and who serve on and vote in Board committees.

Life Trustees

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* *Chair Emeritus*

Management

President

Larry G. Osnes is the 18th President of Hamline University. Prior to his election in 1988, he was president and chief executive officer of the Minnesota Private College Council, Minnesota Private College Fund and Minnesota Private College Research Foundation. In that capacity, he served on a number of statewide boards and organizations, including the Minnesota Higher Education Facilities Authority.

Prior to coming to Minnesota, Dr. Osnes held a variety of faculty and administrative posts at Anderson College in Indiana. He also served as executive director of the Indiana Higher Education Council.

Currently, Dr. Osnes serves on the American Council on Education, the National Association of Schools and Colleges of the United Methodist Church; the Board of Directors of the Educational and Institutional Insurance Administrators, Inc., the Hazelden Board of Directors; and H.E.A.R.T.

A 1963 graduate of Anderson College in history, Dr. Osnes earned his M.A. degree in history from Wayne State University, and his Ph.D. degree in political history and public administration from the University of Cincinnati. In 1994, he was a visiting scholar at Cambridge University in England.

Administrative Reorganization: Provost and Chief Financial Officer

In December of 1998, President Osnes announced a plan for the reorganization of the Senior Administrative leadership at Hamline University. The former structure, comprised of a Vice President for Academic Affairs and a Vice President for Finance and Administration, is being replaced by a structure comprised of a Provost and a Chief Financial Officer.

On July 27, 1999, President Osnes named Jerry M. Greiner as Hamline's first Provost. Dr. Greiner will leave his position as Hamline's Vice President for Academic Affairs and Dean of the College of Liberal Arts, a position he has held since 1995, to assume his duties as Provost. As Provost, Dr. Greiner will coordinate academic and student services across the University and will assume responsibility for Human Resources, Information Technology, and Buildings and Grounds (three areas formerly under the Vice President of Finance and Administration).

Dr. Greiner began his career in higher education in 1975 as an assistant professor in the psychology department of the University, and within nine years was promoted to the rank of full professor. He has also served as Assistant, Associate and Interim Dean of the College of Liberal Arts. During the past eight years, Dr. Greiner has participated with a group of chief academic officers from colleges and universities around the country in the development of the "New American College" concept, and currently serves on the Board of Directors of the Associated New American Colleges.

A 1971 graduate of Aquinas College in Grand Rapids, Michigan, Dr. Greiner earned his M.A. in psychology in 1973 and his Ph.D. in clinical psychology in 1974 from the University of Cincinnati.

On August 5, 1999 the University named Dr. Garvin Davenport its Interim Dean of the College of Liberal Arts. The University plans to conduct a formal search process for a permanent Dean. Dr. Davenport has been at the University since 1967. He taught American Literature and writing in the English Department and directed the American Studies program. He also served as the College of Liberal Arts' Assistant Dean from 1992-1994 and its Associate Dean from

1994 until his present appointment. Dr. Davenport received his B.A. from Grinnell College in 1961 and his M.A. and Ph.D. from the University of Minnesota in 1963 and 1967, respectively.

On August 27, 1999 the University announced the appointment of Patti Andreini Arnold as the University's chief financial officer. Ms. Arnold's title will be Vice President for Finance and Treasurer. Her duties include Budgeting, Accounting, Accounts Payable and Receivable, Investment Management, and Payroll. For the past four years Ms. Arnold has been the Vice President of Finance and Corporate Officer at Medica, a health maintenance organization. She was also the Director of Finance for Medica and for eight years was a senior manager and auditor for Deloitte & Touche in Minneapolis. Ms. Arnold is a CPA and holds a Bachelor of Science and a Master of Science Degree in Business Administration from Michigan Technological University. She will begin her new position at the University on October 11, 1999.

Vice President for University Relations

Dan Loritz serves as the Vice President of University Relations, and currently serves in the capacity of interim Chief Financial Officer. He is also the Assistant Treasurer of the Board of Trustees of Hamline University.

Mr. Loritz provides university-wide leadership in the areas of alumni relations, church relations, community relations, governmental relations, media relations, communications, and fundraising. Before coming to Hamline in 1991, he spent 14 years in Minnesota State government, including serving as the Deputy Chief of Staff and Director of Governmental Relations for a former Governor.

Mr. Loritz holds a Bachelor of Arts degree from Hamline University and a Master of Science degree from the University of Wisconsin System.

Vice President for Student Affairs and Dean of Students

Marilyn J. Deppe is in her seventh year at Hamline, and holds the positions of Vice President for Student Affairs and Dean of Students. Dr. Deppe is responsible for the overall vision, leadership and direction of the Student Affairs departments including Residential Life, Dining Services, Career Development, Counseling and Health Services, Chaplain, Study Resource Center, Multicultural Affairs, Student Activities and Leadership Development and Safety and Security.

Prior to her time at Hamline, she was the Assistant Vice President for Administration and Planning at the Claremont Colleges and Assistant Dean of Students and Director of Residential Life at Whittier College.

A 1974 graduate of Whitworth College in Spokane, Washington, Dr. Deppe holds a Master's degree in Counseling and Personnel Services from Purdue University and a Ph.D. in Higher Education Administration from the Claremont Graduate University.

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 six residence halls comprise the campus physical plant. The physical plant and contents are insured at replacement values of approximately $125,000,000.

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 included 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 $5.5 million, 36,000 square foot Robbins Science Center. The University raised the entire amount in gifts and pledges by June 1, 1991, including a $1 million Bush Foundation grant and a $400,000 Kresge Foundation challenge grant.

In June of 1997, Hamline University opened the Law and Graduate Schools Building which also houses the University Conference Center. This building was constructed at a cost of $5.5 million and is over 42,000 square feet. This project was funded in part by proceeds from the Series Four-I Bonds.

In May of 1998, the $8.7 million, 72,000 square foot Lloyd W.D. Walker Fieldhouse opened, which provides the University community with a state-of-the-art physical activities center which includes a gymnastics facility, weight room, indoor track, racquetball courts, large gym area and offices for coaches and physical education faculty. This project was funded in part by proceeds from the Series Four-I Bonds.

The residence halls on campus house approximately 745 undergraduate and law students; approximately 50% of undergraduates and 12% of law students 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.

The University offers the Bachelor of Arts degree in the College of Liberal Arts. During the 1998-99 academic year, the University awarded 372 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 eight courses during the year spread over fall and spring terms. Fall and spring terms are each 14 weeks long. Winter term is four weeks long, and students may take only one course during the term.

The University participates in the Associated Colleges of the Twin Cities, a consortium of five local private liberal arts colleges: Hamline University, Macalester College, the College of St. Catherine, the University 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 at the United Nations.

The Bush Memorial Library, completed in 1971, houses in excess of 180,000 volumes and 800 current periodicals. The library also maintains a variety of non-print media. 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. In 1997, the Graduate School of Public Administration and Management and the Graduate School of Education became further independent units.

Through the two graduate schools and the Graduate Liberal Studies Program, six Master of Arts degrees and two doctoral degrees are currently offered. They include: the Master of Arts in Education, Doctor of Education, Master of Arts in Liberal Studies, Master of Fine Arts in Writing, Master of Arts in Management, Master of Arts in Nonprofit Management, Master of Arts in Public Administration, and Doctor of Public Administration. In 1999, Hamline conferred 224 Master of Arts degrees in Education, 33 Master of Arts degrees in Liberal Studies, 1 Master of Arts degree in Nonprofit Management, 46 Master of Arts degrees in Public Administration, 4 Master of Fine Arts degrees in Creative Writing, and 1 Doctorate degree in Public Administration.

The Graduate School of Public Administration and Management prepares students for service in local, regional, and state government, as well as nonprofit organizations. It houses the Center for Women in Government, one of only three such university-affiliated centers in the nation.

The Graduate School of Education offers graduate courses for teachers, administrators and counselors with certificates in education. It houses the Center for Literacy and Learning, the Minnesota Migrants Education Resource Center, the Comprehensive Regional Assistance Center, the Center for Global Environmental Education, and the Center for Excellence in Urban Teaching.

The Graduate Liberal Studies Program is one of the largest such programs in the nation.

Courses in the graduate schools and 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 1998-99 academic year, the University awarded 166 Juris Doctorate degrees and two L.L.M. 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 won awards, including Best Brief and Best Oral Advocate, at national competitions, including the National Moot Court competition, the Frederick Douglass Moot Court competition, the American Trial Lawyers Association Mock Trial competition, and the Jessup International Law Moot Court competition.

In 1997, Hamline University School of Law began a Master of Laws (L.L.M.) program for international lawyers.

In 1999, Hamline University School of Law's Alternative Dispute Resolution Program was ranked number six out of all United States law schools by U.S. News & World Report.

The School of Law library houses more than 226,000 volumes, including microfiche, is a government depository, and has access to the WESTLAW and LEXIS computerized legal databases, as well as the Internet and other legal databases.

The Hamline Law Review and the Hamline Journal of Law and Public Policies are 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.

Despite a drop in applications to the law school, reflecting a nationwide drop in applications in law schools and other graduate schools in recent years due to the strong economy, Hamline University School of Law has pursued an aggressive and diversified strategy to maintain both enrollment and student quality. The law school markets its nationally-recognized Alternative Dispute Resolution program, its child advocacy programs and its strong public interest law programs. The Princeton Review recently ranked the University's law school 7th highest in the nation in public interest law placement percentage after graduation.

The University emphasizes flexible scheduling options, tuition affordability, and, in addition, offers the only "Admission by Performance" summer program in Minnesota. Hamline's law school admits a larger percentage of its applicants than five years ago, but incoming first-year students continue to have strong LSAT scores and the law school's high retention rate is consistent as well.

Student Enrollment

The University's actual enrollments for academic years 1994-95 through 1998-99 are set forth below:

		Undergraduate		Graduate		School of Law		Total University	
		FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count
Actual:	1994-95	1,428	1,491	378	642	565	565	2,371	2,698
	1995-96	1,538	1,645	397	698	589	589	2,524	2,932
	1996-97	1,561	1,653	403	729	573	573	2,537	2,955
	1997-98	1,549	1,646	488	907	508	518	2,545	3,071
	1998-99	1,590	1,709	439	794	476	488	2,505	2,991

Source: Hamline University.

Geographic Distribution of Fall 1998-99 Undergraduate Student Body

State	Number of Students
Minnesota	1,285
Wisconsin	122
Washington	21
North Dakota	19
Iowa	18
Oregon	15
Other States and International	119
Not Identified	110
Total	1,709

Geographic Distribution of Fall 1998-99 Law School First Year Class

State	Number of Students
Minnesota	173
Wisconsin	7
Illinois	1
Other States	4
International	4
Total	189

Undergraduate Applications, Admissions and Enrollments

	1994-95	1995-96	1996-97	1997-98	1998-99
Applications	1,056	1,080	1,133	1,014	1,080
Offers of Admission	871	904	954	855	904
Percentage Admitted	82%	84%	84%	84%	84%
Enrolled	354	358	371	310	382
Percentage Admitted Enrolled	41%	40%	39%	36%	42%
Median ACT Scores of Enrolled First-Year Students	25	25	25	24	24
Median SAT Scores of Enrolled First-Year Students Verbal/Math	540/590	530/590	580/610	515/566	518/555

Law School Applications, Admissions and Enrollment

	1994-95	1995-96	1996-97	1997-98	1998-99
Applications	1,620	1,614	1,162	993	851
Offers of Admission	650	727	647	522	518
Percentage Admitted	40%	45%	56%	53%	61%
Enrolled	209	229	192	142	193
Percentage Enrolled	32%	31%	30%	27%	37%
Average LSAT Score	155	154	154	153	153

Undergraduate Student Retention

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

Fall Semester	New First-Year Students	Percent of Students Returning			Percent of Graduates	
		2nd Year	3rd Year	4th Year	4 Years	By 5th Year
1992	300	79%	71%	65%	58%	59%
1993	328	79	66	61	58	63
1994	354	82	71	68	57	
1995	358	77	68	63		
1996	371	82	72			
1997	310	80				
1998	382					

Law School Student Retention

The University reports the following law school student retention rates:

Entering Fall Semester	First Year Class	Percent of Second and Third Year Students to First Year Class*		Percent of Graduates in Third Yr. to First Yr. Class
		2nd Year	3rd Year	
1992	214	89%	89%	89%
1993	218	89	89	87
1994	200	96	96	87
1995	229	94	86	85
1996	196	93	87	
1997	142	98		
1998	185			

* *May include transfer students.*

Faculty and Staff - 1998-99

Undergraduate Full-Time Faculty	87
Undergraduate Part-Time Faculty	28
Graduate Full-Time Faculty	29
Graduate Part-Time Faculty	53
Law School Full-Time Faculty	33
Law School Part-Time Faculty	1
Administrative Full-Time Staff	223
Administrative Part-Time Staff	32
Total Faculty and Staff	486

Faculty by Rank and Average Salary – 1998-99

	Total Number	Average Base Salary	Number Tenured
Undergraduate			
Professor	40	$50,500	39
Associate Professor	27	$39,443	21
Assistant Professor	20	$34,787	0
Law School			
Professor	18	$91,601	14
Associate Professor	6	$73,922	6
Instructor	9	$70,336	0

Tuition and Fees

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

Undergraduate

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

	1994-95	1995-96	1996-97	1997-98	1998-99
Tuition	$13,252	$13,650	$14,182	$14,678	$15,120
Room & Board	4,193	4,295	4,536	4,799	4,968
Student Fees	155	163	171	177	221
Total	$17,600	$18,108	$18,889	$19,654	$20,309

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:

	1994-95	1995-96	1996-97	1997-98	1998-99
Law School Tuition	$13,150	$13,808	$14,498	$15,528	$16,640

Graduate Schools of Education and Public Administration

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

	1994-95	1995-96	1996-97	1997-98	1998-99
Graduate School Master's	$840	$882	$926	$954	$983
Doctoral	--	--	--	$1,600	$1,600

The typical graduate student takes two courses per semester.

The University Board of Trustees recently announced tuition levels for the 1999-00 academic year. They are: undergraduate - $15,574; School of Law - $17,448; Graduate School - $1,020 per master's course and $1,660 per doctoral level course. Board and room charges will average $5,142 for the 1999-00 school year.

1998-99 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by 1998-99 Comprehensive Fee)

College	Tuition & Fees	Room & Board	Comprehensive Fees
Carleton College	$22,611	$4,584	$27,195
Macalester College	19,801	5,593	25,394
St. Olaf College	17,140	4,180	21,320
Minneapolis College of Art & Design	16,934	4,366	21,300
Gustavus Adolphus College	16,740	4,150	20,890
College of Saint Benedict	15,574	4,861	20,435
University of St. Thomas	15,399	4,972	20,371
St. John's University	15,574	4,740	20,314
Hamline University	**15,341**	**4,968**	**20,309**
Bethel College	14,720	5,180	19,900
Augsburg College	14,616	5,134	19,750
College of St. Scholastica	15,060	4,134	19,194
College of Saint Catherine	14,834	4,290	19,124
Concordia College (St. Paul)	12,658	4,726	17,384
St. Mary's University of Minnesota	13,095	4,270	17,365
Concordia College (Moorhead)	12,655	3,645	16,300
Average	$15,797	$4,612	$20,409

NOTE: Charges apply to new entering students only. Several colleges have differential tuition for upper-class students, housing cost freezes for returning students or other policies that result in variation in costs.

Source: Minnesota Private College Council.

Comparative Law School Tuition

Following are comparative tuition charges for selected private law schools for the 1998-99 academic year. The institutions listed are institutions with which the University compares itself 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. Many of these schools are also ranked along with Hamline's law school in the third tier of U.S. News & World Report's ranking of United States law schools.

	1998-99 Tuition
Chicago Kent College of Law, ITT	$20,680
Golden Gate University School of Law	19,981
Marquette University School of Law	19,910
John Marshall School of Law	19,580
DePaul University College of Law	19,494
Vermont Law School	19,415
University of Denver College of Law	19,282
University of Dayton School of Law	18,750
Gonzaga University School of Law	18,300
Willamette University College of Law	17,700
William Mitchell College of Law	17,230
Valparaiso University School of Law	17,100
Drake University Law School	16,950
Hamline University	**16,640**
St. Mary's University School of Law (Texas)	15,893
Creighton University School of Law	15,684

Source: American Bar Association.

Financial Aid

Approximately 78.9% of the total 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.

	1994-95	1995-96	1996-97	1997-98	Estimated 1998-99
Federal:					
Pell Grants	$ 592,150	$ 599,816	$ 570,751	$ 612,325	$ 746,509
SEO Grants	342,080	344,932	314,156	433,594	495,000
Stafford Loans	8,019,346	8,768,000	8,621,705	8,539,572	7,965,585
Supplemental Loans	4,931,960	6,535,000	6,488,073	7,092,924	6,749,014
Work-Study	344,013	280,742	287,867	432,033	421,000
Perkins Loans	1,221,095	1,221,746	1,319,972	1,377,467	1,227,059
Minnesota:					
Grants	$ 1,899,167	$ 2,024,487	$ 1,933,215	$ 1,930,645	$ 2,228,655
SELF Loans	419,034	362,485	384,441	261,596	934,699
Work-Study	115,014	133,886	130,348	150,000	155,000
University Grants	$ 6,139,396	$ 6,958,187	$ 7,790,083	$ 7,862,278	$ 9,120,094
Other	$ 469,715	$ 357,356	$ 361,172	$ 467,094	$ 525,337
Total	$24,492,970	$27,586,637	$28,201,783	$29,159,528	$30,567,952
Number of Students Receiving Financial Aid	1,969	2,095	2,131	2,373	2,322

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 $1,424,000 for this retirement plan for the year ended June 30, 1998.

Year 2000 Readiness Disclosure

Computer systems, software products, and other devices and equipment which incorporate microprocessors which are coded to accept two-digit entries in the date code field may recognize a date using "00" as the year 1900 rather than the year 2000. If not corrected, such systems, products, devices, and equipment could fail or create erroneous results by, at, or after January 1, 2000 (the "Year 2000 problem").

The University is in the process of addressing the University's Year 2000 readiness, and has established a task force consisting of representatives from various areas within the University. The task force has evaluated computer systems, software, other systems, and equipment of the University that may be affected by the Year 2000 problem. The University has completed its evaluation and assessment of Year 2000 readiness issues, and is currently completing all necessary technical upgrades to campus computer hardware and software. Building control systems and other auxiliary services have been assessed as well, and necessary upgrades are almost complete. Testing of the University network and servers will be performed late summer 1999. The University is also engaged in discussions with its principal money managers regarding their Year 2000 readiness.

The University does significant business with entities which may have Year 2000 problems. These include the federal and state governments and their various agencies, which provide funds to the University, directly or indirectly, through financial aid programs and other payments. (See "Financial Aid" in this Appendix I). The University is unable to evaluate the extent of the Year 2000 problem for those entities or the actions they are taking to correct them. Financial aid and other payments to the University may be delayed or may not be paid if the federal or state governments or their agencies are not Year 2000 compliant.

The effect of the Year 2000 problem on the operations and financial condition of the University cannot be determined. There is no assurance that the University or other parties with which it does business will be successful in identifying or resolving Year 2000 problems or in achieving Year 2000 readiness. Because of the complexity of the Year 2000 problem, the difficulty in identifying and remedying noncompliant systems, equipment and software, and the University's lack of control over third parties, the University may experience some level of disruption in its operations, and the effects of those disruptions could be material and adverse to the University's financial condition and results of operation. (See "RISK FACTORS – Year 2000" in this Official Statement).

The statements contained under the above caption constitute a Year 2000 Readiness Disclosure by the University, in accordance with the federal Information and Readiness Disclosure Act.

Capital Campaign

In 1992, the University initiated the Campaign for the New American University, a $100 million fund drive which will continue through June 30, 2004. Total gifts, pledges and other commitments received as of June 1999 are as follows:

Cash Gifts	$25,811,487
Pledges	12,605,068
Deferred Gifts	10,159,120
Other Commitments	20,907,893*
Total Progress through June 1999	$69,483,568

* *The University classifies as "Other Commitments" certain oral or conditional promises to contribute, when such promises have been received from persons who have previously donated substantial sums to the University or who are presently serving as Trustees.*

Gift and Grants

Gift and grants revenues received by net asset classification for Fiscal Years 1996, 1997 and 1998, as reported in the annual financial statements of the University, are as follows:

Year Ended[(a)]	Unrestricted	Temporarily Restricted	Permanently Restricted
June 30, 1998	$1,010,381	$1,417,178	$2,200,288
June 30, 1997	1,027,220	6,237,787	2,015,001
May 31, 1996	2,745,976	3,358,426	1,041,935

(a) *Beginning in Fiscal Year 1996, the reporting for private gifts and grants was changed to record contributions in the three categories immediately above, based on the existence of donor-imposed restrictions, according to Statement of Financial Accounting Standards No. 116. See discussion below, under "Financial Statements." Beginning in fiscal year 1997, the University changed its fiscal year end from May 31 to June 30.*

Gifts and grants revenues received by fund for Fiscal Years 1994 and 1995, as reported in the annual financial statements of the University, are as follows:

Year Ended	Current Funds		Endowment	Annuity & Life	Plant
May 31	Unrestricted	Restricted	Funds	Income Funds	Funds
1995	$764,413	$665,065	$ 930,123	$286,103	$ 604,678
1994	848,513	849,913	1,374,204	288,040	3,691,214

Endowment Funds

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

Long Term Investments

Year Ended[a]	Permanent Endowment	Funds Functioning as Endowment	Additional Assets Functioning as Endowment	Total
June 30, 1998	$20,842,051	$20,701,214	$1,856,760	$43,400,025
June 30, 1997	18,781,776	18,759,665	1,250,083	38,791,524
May 31, 1996[b]	18,719,570	18,170,215	(253,223)	36,636,562

Fund Balance

Year Ended May 31	Endowment	Quasi-Endowment	Total
1995	$27,861,600	$4,098,559	$31,960,159
1994	26,637,856	4,674,776	31,312,632

(a) *The University changed its fiscal year end from May 31 to June 30 beginning with the 1997 fiscal year.*

(b) *Accounting rule changes affected the classification of permanent endowment and funds functioning as endowment and the recording of donor pledges as revenues.*

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.

Presentation of Financial Statements

The University changed its fiscal year to end June 30 beginning with June 30, 1997, resulting in a 13-month fiscal year ending June 30, 1997.

The table on page I-18 sets forth summaries of revenues, expenditures and other changes for the University's Current Fund for the fiscal years ended May 31, 1994 and 1995. The table on page I-19 sets forth the University's statements for unrestricted activities for the fiscal years ended May 31, 1996, June 30, 1997, and June 30, 1998. These tables should be read in conjunction with the financial statements found in Appendices VI and VII.

For the year ended May 31, 1996, the University adopted two new Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board. Together, the new statements significantly alter the appearance and content of private college and university financial statements. These changes in presentation make it difficult to draw comparisons between financial statements for the Fiscal Years ended prior to May 31, 1996 and financial statements for 1996 and thereafter.

SFAS No. 116, Accounting for Contributions Received and Contributions Made, has two significant aspects. The first is a requirement to record certain specifically verifiable donor promises as revenues in the period the promises are received and to reflect the promises as receivables of the University. This contrasts with the previous practice of recording contributions when the actual cash or property was received. The second aspect of SFAS No. 116 is the requirement to record contributions in one of three categories: unrestricted, temporarily restricted, or permanently restricted, based on the existence of donor-imposed restrictions. See Note 1 to the Notes to Financial Statements for the year ended May 31, 1996 appearing in Appendix VII for a brief description of these categories.

The primary purpose of SFAS No. 117, Financial Statements of Not-for-Profit Organizations, is to make financial statements of not-for-profit organizations more understandable to users of those statements. This will generally result in not-for-profit statements being more consistent with each other and, in many respects, with those of commercial enterprises. The new statement requires classification of an organization's net assets, as well as its revenues, expenses, gains and losses based on the existence of donor-imposed restrictions. It requires three classes of net assets, permanently restricted, temporarily restricted and unrestricted, to be displayed in a statement of financial position. It also requires the amount of change in each of those classes of net assets to be displayed in a statement of activities. In addition, it requires a statement of cash flows that focuses on the entity as a whole.

The University elected to apply the provisions of SFAS No. 116 and 117 retroactively, restating net assets as of June 1, 1995. To implement SFAS 117, the University was required to reclassify its fund balances as net assets, with the amount of net assets presented on the statement of financial position into the three new categories of unrestricted, temporarily restricted, and permanently restricted. Only donor-imposed restrictions can cause assets to be classified as temporarily or permanently restricted. All other net assets, including board-designated or appropriated amounts, were required to be reported as unrestricted. Quasi-endowment fund balances were classified as unrestricted funds.

In addition, upon implementation of SFAS 117, all expenses of the University for fiscal year 1996 were shown as decreases in unrestricted net assets, regardless of the source of the financing of the expenses. Assets released from restrictions were reported as increases in unrestricted net assets corresponding to the expenses paid with restricted assets when the restriction is met. When restrictions on fiscal year 1996 restricted contributions were met in fiscal year 1996, the contributions were recorded immediately as unrestricted revenue, or as temporarily restricted revenue with a corresponding reclassification from temporarily restricted net assets to unrestricted net assets.

SFAS 117 required that the University classify all capital gains and losses on investments as unrestricted, regardless of which class holds the underlying assets or liability, unless the donor restricts it. Under the previous accounting treatment, the University showed income on endowment in current restricted funds and showed realized or unrealized gains or losses on endowment as additions to the endowment fund and/or transfers from the endowment fund to the current fund to satisfy spending rules. The change due to SFAS 117 increases the reported unrestricted net asset balance as compared with the previous practice.

Appendix VI sets forth the financial statements of the University for the year ended June 30, 1998, audited by KPMG Peat Marwick, Certified Public Accountants, Minneapolis, Minnesota. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

The University is currently in the process of preparing its audited financial statements for the fiscal year ending June 30, 1999. No audited figures are presently available.

Hamline University
Summary of Current Fund Revenues,
Expenditures and Other Changes

For the Years Ended May 31

	1994	1995	1996	1997	1998
REVENUES					
Tuition & Fees	$28,537,570	$30,390,380			
Government/State Grants	120,870	129,423			
Private Gifts and Grants	848,513	764,413			
Endowment Income	241,398	(7,988)			
Educ. Sales & Services	213,262	231,899			
Other Sources	640,995	1,112,664			
Total Revenues Before Auxiliary Enterprises	$30,602,608	$32,620,791			
Auxiliary Enterprises	4,403,566	4,605,292			
TOTAL REVENUES	$35,006,174	$37,226,083			
EXPENDITURES AND MANDATORY TRANSFERS				**See**	
Educational and General					
Instruction	$10,174,343	$10,624,437		**"Statement**	
Public Service & Research	412,255	485,130			
Academic Support	4,517,169	5,439,631		**of**	
Student Services	3,508,295	3,852,710			
Institutional Support	4,386,430	4,917,622		**Unrestricted Activities"**	
Operation and Maintenance	2,237,017	2,306,644			
Scholarships & Fellowships	5,618,138	6,300,214		**on following page**	
Educational and General Expenditures	$30,853,647	$33,926,388			
Mandatory Transfers for Principal and Interest	491,269	492,972			
Federal Loan Matching	27,558	123,138			
Total Education and General	$31,372,474	$34,542,498			
Auxiliary Expenses					
Expenditures	3,820,237	3,892,959			
Mandatory Transfers for Principal and Interest	436,065	441,746			
Total Auxiliary Enterprises	$4,256,302	$4,334,705			
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	35,628,776	38,877,203			
Excess of Revenues over Expenditures and Mandatory Transfers	($622,602)	($1,651,120)			
Other Transfers & Additions (Deductions)					
Endowment Spending (total ret)	$1,875,171	$2,556,270			
Transfer-Interfund Borrowing	(39,310)	(38,772)			
Other Nonmandatory Transfers	(1,213,259)	(483,697)			
Renewal/Replacement Reserve	0	0			
Total Other Transfers & Addns	622,602	2,033,801			
Net Increase (Decrease) in Fund Balance	$0	$382,681			

Hamline University of Minnesota
Statement of Unrestricted Activities

For the year ended May 31, 1996, thirteen months ended June 30, 1997, and the year ended June 30, 1998

	1994	1995	1996	1997 (1)	1998
REVENUE:					
Tuition & Fees			$33,443,748	$35,103,639	$36,148,761
Less: Student aid and scholarship			7,733,350	8,593,775	8,853,024
Net tuition and fees			25,710,398	26,509,864	27,295,737
Government grants			121,021	136,815	156,632
Contributions			2,745,976	1,027,220	1,010,381
Investment return designated for current operations			1,797,156	2,544,938	1,559,388
Sales and services of educational activities			266,641	272,202	262,294
Other sources			622,052	561,719	720,883
Auxiliary enterprises			4,681,739	4,968,810	5,198,573
Net assets released from restrictions			3,944,595	4,237,293	11,329,394
Total Revenues			39,889,578	40,258,861	47,533,282
	See				
EXPENSES:	**"Summary of**				
Instruction			12,965,154	13,776,032	15,337,414
Research	**Current Fund**		220,156	313,817	304,258
Public service			733,171	971,858	768,291
Academic support	**Revenues, Expenditures**		5,904,647	7,249,971	6,736,815
Student services			4,663,017	4,683,526	5,612,966
Institutional support	**and Other Changes"**		5,985,852	6,652,820	6,524,238
Physical plant (2)			2,322,715	2,915,326	
Auxiliary enterprises	**on prior page**		5,000,368	5,405,532	6,058,364
Total Expenses			37,795,080	41,968,882	41,342,346
Increase in net assets before investment return in excess of amounts designated for current operations			2,094,498	(1,710,021)	6,190,936
Investment return in excess of amounts designated for current operations			3,709,113	1,154,686	2,539,562
(Decrease)/increase in net assets before extraordinary item			5,803,611	(555,335)	8,730,498
Extraordinary loss on extinguishment of debt			0	(501,300)	0
(Decrease)/increase in net assets			5,803,611	(1,056,635)	8,730,498
Net assets at beginning of year			42,413,347	48,216,958	47,160,323
Net assets at end of year			$48,216,958	$47,160,323	$55,890,821

Source: University's Audited Financial Statements

(1) The University changed its fiscal year end from May 31 to June 30 beginning June 30, 1997. Fiscal Year 1997 includes 12 months of tuition and fees and 13 months of expenses.

(2) In 1998 the University reallocated all physical plant expenses to the various expense categories.

Line of Credit

Firstar Bank of Minnesota, N.A., provides a $3,000,000 revolving line of credit to the University for short-term borrowing. As of August 31, 1999, there was no balance outstanding on the line of credit. The line of credit expires on November 16, 2000, unless renewed.

Long-Term Debt of the University

As of July 1, 1999, the University's total long-term debt outstanding, adjusted to include the Series Five-B Bonds is $25,841,189.

1. Hamline University Dormitory and Auxiliary Facilities Bonds of 1969, Series C. The Series C Bonds have a final maturity of June 1, 2009, payable at 3%. Certain residence halls and land are pledged as collateral. $630,000 is outstanding.
2. $17,500,000 MHEFA Revenue Bonds, Series Four-I, dated September 1, 1996. $16,945,000 is outstanding.
3. Loan payable to Aramark in the original principal amount of $70,000 payable in five equal annual installments of $14,000 beginning in July, 1997 with no interest. The principal balance outstanding as of July 31, 1999 is $42,000.
4. Telecommunications financing dated April 1, 1997, issued through MHEFA and payable to Norwest Investment Services, Inc. in the original principal amount of $625,000 with interest at 5.78%. The University's 28 scheduled quarterly payments began September 1, 1997. The principal balance outstanding as of July 31, 1999 is $474,189.
5. The Series Five-B Bonds.

Annual Debt Service By Fiscal Year and Pro Forma Coverage Statement

The table on page I-21 sets forth the 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. The table shows coverage of such annual debt service by the amount of University revenue that was available for debt service as of June 30, 1998, as further detailed in the table on page I-22.

Column 6 of the table included on page I-21 includes $525,000 of projected net income to the University as a result of Project for fiscal year 2001 and thereafter. This figure represents the estimated amount of dormitory revenues from the Project expected to be available for debt service, net of Project operating and indirect expenses, and assumes no overall financial effect on other University housing facilities. The Project revenues and operating and indirect expenses are estimated based upon information provided by the University. The University estimates are based upon comparative information for similar projects recently constructed by other Minnesota higher education institutions, as developed by the University and its consultants, as well as occupancy assumptions related to historical demand for on-campus housing. There can be no assurance that the estimated Project net income will be realized.

These tables are intended merely to show the relationship of historic annual revenues of the University available for the payment of debt service to a proforma statement of combined annual debt service of the University after giving effect to the issuance of the Bonds based on actual interest rates and amortization schedule with respect thereto. They are not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the University. There is no assurance that the future revenues, expenses, debt service and debt service coverage of the University or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following tables.

Annual Debt Service by Fiscal Year
and Pro Forma Coverage Statement
Hamline University

Fiscal Year Ending June 30,	Actual Debt Service on the Bonds (a)	Outstanding Long Term Debt Service (b)	Combined Long Term Debt Service	Amt. avail. for Debt Ser. w/o Net Residence Income (c)	Cov (d) (Times)	Amt. avail. for Debt Ser. With Net Residence Income (e)	Cov (f) (Times)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1999	$0	$1,737,912	$1,737,912	$2,682,088	1.54	$2,682,088	1.54
2000	262,229	1,734,577	1,996,806	2,682,088	1.34	2,682,088	1.34
2001	449,535	1,729,033	2,178,568	2,682,088	1.23	3,207,088	1.47
2002	557,088	1,736,189	2,293,277	2,682,088	1.17	3,207,088	1.40
2003	556,995	1,707,294	2,264,289	2,682,088	1.18	3,207,088	1.42
2004	561,381	1,714,993	2,276,374	2,682,088	1.18	3,207,088	1.41
2005	560,244	1,600,036	2,160,280	2,682,088	1.24	3,207,088	1.48
2006	558,700	1,602,170	2,160,870	2,682,088	1.24	3,207,088	1.48
2007	561,628	1,601,210	2,162,838	2,682,088	1.24	3,207,088	1.48
2008	559,030	1,601,778	2,160,808	2,682,088	1.24	3,207,088	1.48
2009	560,890	1,592,650	2,153,540	2,682,088	1.25	3,207,088	1.49
2010	557,195	1,519,000	2,076,195	2,682,088	1.29	3,207,088	1.54
2011	557,928	1,519,000	2,076,928	2,682,088	1.29	3,207,088	1.54
2012	557,750	1,520,250	2,078,000	2,682,088	1.29	3,207,088	1.54
2013	556,730	1,507,900	2,064,630	2,682,088	1.30	3,207,088	1.55
2014	559,985	1,521,350	2,081,335	2,682,088	1.29	3,207,088	1.54
2015	557,515	1,515,150	2,072,665	2,682,088	1.29	3,207,088	1.55
2016	559,144	1,509,600	2,068,744	2,682,088	1.30	3,207,088	1.55
2017	559,715	1,514,100	2,073,815	2,682,088	1.29	3,207,088	1.55
2018	559,394	0	559,394	2,682,088	4.79	3,207,088	5.73
2019	558,180	0	558,180	2,682,088	4.81	3,207,088	5.75
2020	560,925	0	560,925	2,682,088	4.78	3,207,088	5.72
2021	557,550	0	557,550	2,682,088	4.81	3,207,088	5.75
2022	558,050	0	558,050	2,682,088	4.81	3,207,088	5.75
2023	557,350	0	557,350	2,682,088	4.81	3,207,088	5.75
2024	560,300	0	560,300	2,682,088	4.79	3,207,088	5.72
2025	556,900	0	556,900	2,682,088	4.82	3,207,088	5.76
2026	557,150	0	557,150	2,682,088	4.81	3,207,088	5.76
2027	560,750	0	560,750	2,682,088	4.78	3,207,088	5.72
2028	557,700	0	557,700	2,682,088	4.81	3,207,088	5.75
2029	558,000	0	558,000	2,682,088	4.81	3,207,088	5.75
2030	561,350	0	561,350	2,682,088	4.78	3,207,088	5.71
Totals:	16,917,279	30,484,192	47,401,471				

(a) Based on actual interest rates.
(b) Includes items 1-4 shown in "Long-Term Debt of the University" herein.
(c) From page I-22. Excludes any projected net Project income.
(d) Excluding net Project income, column 5 / column 4.
(e) From page I-22. Includes $525,000 of projected net Residence income for FY 2001 & later.
(f) Including net Project income in FY 2001 and later years, column 7 / column 4.

Minnesota Higher Education Facilities Authority
Hamline University
Saint Paul, Minnesota

Calculation of Amount Available for Debt Service

		Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997
Increase in Unrestricted Net Assets		$8,730,498	(1,056,635)
Plus:	Depreciation & amortization	3,261,708	2,912,957
	Extraordinary Losses	0	501,300
	Debt Service Interest	1,057,413	721,175
	Other	0	750,000
Less:	Net Assets released from Restriction for Land, Buildings & Equipment	(6,659,512)	(4,629)
	Unrestricted funds used for facilities which are capitalized	(509,847)	(646,005)
	Investment return in excess of amounts designated for current operations	(2,539,562)	(1,154,686)
Funds available for debt service		$3,340,698	$2,023,477
Two-year average available for debt service		$2,682,088	
Projected Net Income from the Project *		525,000	
Adjusted two-year average available for debt service		$3,207,088	

* See "Annual Debt Service By Fiscal Year and Pro Forma Coverage Statement" herein.

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON LLP

2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
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$7,750,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-B
(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 (initially book-entry) Revenue Bonds, Series Five-B (Trustees of the Hamline University of Minnesota), in the aggregate principal amount of $7,750,000 (the "Bonds"), dated September 1, 1999, in the denomination of $5,000 each and integral multiples thereof, maturing on October 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

October 1 of the Year	Amount	Basic Interest Rate	October 1 of the Year	Amount	Basic Interest Rate
2001			2007		
2002			2008		
2003			2009		
2004			2010		
2005			20__		
2006			2029		

The Bonds are subject to mandatory sinking fund and optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. Interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 2000. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds are subject to additional interest and optional redemption. Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to the Trustees of Hamline University of Minnesota, a Minnesota nonprofit corporation and institution of higher education located in the City of St. Paul, Minnesota (the "University"), in order to finance student housing facilities. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University and the Trust Indenture (the "Indenture") between the Authority and the Trustee each dated as of September 1, 1999, one or more opinions of Oppenheimer Wolff & Donnelly LLP 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 LLP as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt status, good standing and powers of the University, and 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, 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, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payment held by the Trustee under the Loan Agreement.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of Federal

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

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the 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, September ___, 1999.

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CONTINUING DISCLOSURE INFORMATION

Provision of Annual Report

The Annual Report Date will be the earlier of (a) thirty days after the audited financial statements accompanied by a signed audit opinion are available or (b) 270 days after the fiscal year-end, commencing with the fiscal year ended May 31, 1997. The Annual Report will contain:

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

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

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

      - Student Enrollment
      - Applications, Admissions and Enrollments (Undergraduate and Law School)
      - Tuition and Fees
      - Financial Aid
      - Faculty and Staff

   b. Information as to gifts, bequests and grant support for the most recent complete fiscal year, identifying major sources by category.

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

3. Components of Net Income Available for Debt Service in the manner presented on page I-22 of the Final Official Statement.

Reporting of Listed Events

The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which are to be disclosed, if material, are as follows:

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

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APPENDIX IV

DEFINITION OF CERTAIN TERMS

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

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the 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, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

Authorized Institution Representative: The person at the time designated to act on behalf of the 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 certain officers of the University or its Board of Trustees. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture as described in Section 5.04 thereof.

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

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

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

Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-B (Trustees of the Hamline University of Minnesota).

Bond Resolution: The Series Resolution of the Authority adopted on August 18, 1999, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

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

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

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

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.

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

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 July 1 in each year.

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

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

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as Trustee, dated as of September 1, 1999, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Independent: Independent, when used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant, or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the University or the Institution the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), (iii) is not connected with the Authority or the University or the Institution as an officer, employee or member of the Authority, the University or the Institution or the Board of Trustees of the University and (iv) is satisfactory to the Trustee.

Independent Management Consultant: An Independent certified public accountant, Independent financial consultant or Independent management consultant having a favorable reputation for skill and experience in studying and reporting on operations of private nonprofit institutions of higher education satisfactory to the Authority.

Institution: Hamline University, a Minnesota institution of higher education located in St. Paul, Minnesota and owned and operated by the University.

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

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the University dated as of September 1, 1999, as amended or supplemented from time to time.

Loan Repayments: Certain payments required to be made by the University to the Trustee pursuant to the Loan Agreement.

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

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

Project: The construction, furnishing and equipping of a student residence building with capacity for approximately 150 students in approximately 60 units, including underground and surface parking and related demolition and site improvements, owned or to be owned and operated by the University.

Project Buildings: The facilities to be acquired, improved, or constructed with proceeds of the Bonds, including investment earnings.

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

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings, and installed and located in or as part of any Project Building.

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

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

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

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

Series Five-B Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-B (Trustees of the Hamline University of 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.

University: Trustees of the Hamline University of Minnesota, a Minnesota nonprofit corporation as owner and operator of the Institution, its successors and assigns.

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 IV, contained herein.

Construction of Project

The University represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than December 31, 2000 subject only to "force majeure," as provided in the Loan Agreement. 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, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the 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 and an opinion of counsel to such effects is furnished. 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 exceed the proceeds of the Bonds, including investment earnings 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 five (5) business days prior to each April 1 and October 1, commencing April 1, 2000, 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 Five-B Bonds on the next succeeding interest payment date, provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) On or prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Five-B 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 Five-B Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) Into the Reserve Account forthwith any amounts then required to be deposited therein by Section 5.02 of the Indenture; and

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

(f) At least five (5) Business Days prior to each October 1, commencing October 1, 2011 into the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding October 1, at par plus accrued interest, the amount of the Series Five-B Bonds specified in the Indenture.

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 use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The 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, modifications 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, such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, or the Act, and the University shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

Operating Expenses 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 brought 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 Facilities, with a deductible amount of up to $50,000.

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000, with a deductible amount of not more than $50,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $100,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the 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 comprehensive general public liability, 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 $1,000,000, 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 $1,000,000, the University shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds as more fully provided in the Loan Agreement.

Condemnation

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

Removal of Project Equipment and Building Equipment

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

(a) the University may substitute furnishings, equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance of the Project Facilities;

(b) the University may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the University pays a sum equal to the then value of such Project Equipment as determined by an independent engineer selected by the University, to the Trustee for deposit in the Redemption Account; provided that if the depreciated book value of the equipment so released was less than $25,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent Engineer upon such showing by the University as may be satisfactory to the Trustee;

(c) the University may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance of the Project Facilities.

In connection with (a), (b), and (c) above, if the depreciated book value of the Project Equipment or Building Equipment to be substituted, removed or released equals or exceeds $25,000 the University will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal or release of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Indemnification

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

The 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.

University to Maintain its Existence and Accreditation

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

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.

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 in religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect.

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the date on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price shall be equal to par plus accrued interest plus additional interest from the Date of Taxability. If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the additional interest, as more fully set forth in the Loan Agreement.

Financial Covenants

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

Other Covenants

The University further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion, race, color, creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Office, subject to the right of contest. The University agrees to indemnify the Authority from losses arising from certain representations made by the University regarding the absence of hazardous waste on the Project Facilities.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148 of the Internal Revenue Code with respect (but only with respect) to amounts paid by the University to the Authority as the Authority's annual fee under the Loan Agreement.

Events of Default

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

(a) If the 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, or Redemption Account, as the case may be, on a Bond principal or interest payment date or redemption date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the 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 shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under this Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the University by the Authority or the Trustee; provided that failure to maintain the Unrestricted Liquid Funds so described in the Loan Agreement at the level required therein shall not be an Event of Default unless the University fails to restore the deficiency within 180 days from the close of the Fiscal Year in which such deficiency is reported; or

(e) 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

(f) 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, 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

(g) 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 of the whole or any substantial part of its property, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the University. The provisions of paragraph (d) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the

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 and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

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

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

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

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 IV, contained herein.

Granting Clauses

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

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

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

(3) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the 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.

Trustee's Right to Payment

The Trustee shall have a first lien on the Trust Estate, 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, breach of contract, breach of fiduciary duty, willful misconduct, or willful default of the Trustee).

Additional Bonds

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

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

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

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, 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, which advances with interest thereon at a rate equal to the Trustee's reference or prime rate, are given priority of payment. The Trustee also has a lien on the Trust Estate 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, if any, on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

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

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the 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, in the case of defeasance under paragraph (b) above, as to effect on tax exempt status), 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 or any successor;

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

(d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental 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;

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

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

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

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 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the loan repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the 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. If the Bonds are no longer in book entry form, Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

HAMLINE UNIVERSITY

FINANCIAL STATEMENTS

JUNE 30, 1997 AND 1998

KPMG Peat Marwick LLP

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Trustees
Hamline University of Minnesota:

We have audited the accompanying statement of financial position of Hamline University of Minnesota (the University) as of June 30, 1998, and the related statements of activities and cash flows 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 University as of June 30, 1998, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

August 28, 1998

HAMLINE UNIVERSITY OF MINNESOTA

Statement of Financial Position

June 30, 1998
(with comparative information as of June 30, 1997)

Assets	1998	1997
Cash and cash equivalents	$ 2,504,596	7,678,101
Restricted cash	2,034,986	4,553,254
Accounts receivable (net of allowance of $144,228 and $143,663 for 1998 and 1997, respectively)	1,919,779	1,934,084
Prepaid expenses and other assets	1,490,194	1,360,348
Inventories	222,922	196,451
Pledges receivable	1,506,240	3,817,098
Loans receivable (net of allowance of $500,000 for 1998 and 1997)	7,647,868	7,253,173
Investments	48,151,326	42,346,715
Beneficial interest in perpetual trust	759,793	671,329
Property, plant, and equipment (net)	53,358,437	45,301,005
Total assets	$ 119,596,141	115,111,558

Liabilities and Net Assets		
Accounts payable and accrued expenses	6,405,883	6,565,963
Deposits and deferred revenues	2,902,094	3,353,106
Annuities payable	1,308,979	1,120,305
Grants refundable to government	6,681,028	6,184,304
Obligation under capital leases	553,668	625,000
Long-term financing	18,241,000	18,324,000
Total liabilities	36,092,652	36,172,678
Net assets:		
Unrestricted	55,890,821	47,160,323
Temporarily restricted	4,446,313	10,950,703
Permanently restricted	23,166,355	20,827,854
Total net assets	83,503,489	78,938,880
Total liabilities and net assets	$ 119,596,141	115,111,558

See accompanying notes to financial statements.

HAMLINE UNIVERSITY OF MINNESOTA

Statement of Activities

Year ended June 30, 1998
(with summarized information as of June 30, 1997)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals 1998	Totals 1997
Revenues:					
Tuition and fees	$ 36,148,761	–	–	36,148,761	35,103,639
Less student aid	8,853,024	–	–	8,853,024	8,593,775
Net student tuition and fees	27,295,737	–	–	27,295,737	26,509,864
Government grants	156,632	1,699,706	–	1,856,338	1,604,601
Contributions	1,010,381	1,417,178	2,200,288	4,627,847	9,280,008
Investment return designated for current operations	1,559,388	1,147,669	138,213	2,845,270	4,039,579
Sale and services of educational activities	262,294	–	–	262,294	272,202
Other sources	720,883	560,451	–	1,281,334	988,656
Auxiliary enterprises	5,198,573	–	–	5,198,573	4,968,810
Net assets released from restrictions	11,329,394	(11,329,394)	–	–	–
Total revenues	47,533,282	(6,504,390)	2,338,501	43,367,393	47,663,720
Expenses:					
Instruction	15,337,414	–	–	15,337,414	15,117,440
Research	304,258	–	–	304,258	232,130
Public service	768,291	–	–	768,291	971,858
Academic support	6,736,815	–	–	6,736,815	7,050,023
Student services	5,612,966	–	–	5,612,966	5,525,079
Institutional support	6,524,238	–	–	6,524,238	6,747,374
Auxiliary enterprises	6,058,364	–	–	6,058,364	6,324,978
Total expenses	41,342,346	–	–	41,342,346	41,968,882
(Decrease)/increase in net assets before investment return in excess of amounts designated for current operations and extraordinary item	6,190,936	(6,504,390)	2,338,501	2,025,047	5,694,838
Investment return in excess of amounts designated for current operations	2,539,562	–	–	2,539,562	1,154,686
(Decrease)/increase in net assets before extraordinary item	8,730,498	(6,504,390)	2,338,501	4,564,609	6,849,524
Extraordinary loss on extinguishment of debt	–	–	–	–	(501,300)
(Decrease)/increase in net assets	8,730,498	(6,504,390)	2,338,501	4,564,609	6,348,224
Net assets at beginning of year	47,160,323	10,950,703	20,827,854	78,938,880	72,590,656
Net assets at end of year	$ 55,890,821	4,446,313	23,166,355	83,503,489	78,938,880

See accompanying notes to financial statements.

HAMLINE UNIVERSITY OF MINNESOTA

Statement of Cash Flows

Year ended June 30, 1998
(with comparative information as of June 30, 1997)

	1998	1997
Cash flows from operating activities:		
Change in net assets	$ 4,564,609	6,348,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,261,708	2,912,957
Gains on investments	(4,319,550)	(3,464,424)
Contributions restricted for financing activities	(2,418,675)	(5,710,361)
Adjustment of actuarial liability for annuities payable	370,746	416,435
Change in assets and liabilities:		
Restricted cash	2,518,268	(3,969,947)
Accounts receivable	14,305	417,215
Prepaid expenses and other assets	(129,846)	(772,893)
Inventories	(26,471)	40,583
Pledges receivable	2,310,858	(2,552,823)
Loans receivable	(394,695)	(332,551)
Accounts payable and accrued expenses	(160,080)	11,284
Deposits and deferred credits	(451,012)	714,041
Grants refundable to government	496,724	243,974
Net cash provided by (used in) operating activities	5,636,889	(5,698,286)
Cash flows from investing activities:		
Acquisitions of property, plant, and equipment	(11,319,140)	(10,597,173)
Purchases of investments	(3,357,195)	(33,622,274)
Proceeds from sale of investments	1,872,134	36,985,793
Net cash (used in) investing activities	(12,804,201)	(7,233,654)
Cash flows from financing activities:		
Increase in beneficial interest in perpetual trust	(88,464)	(671,329)
Proceeds from contributions restricted for:		
Investment in endowment	2,028,051	894,305
Investments subject to annuity agreements	127,525	504,586
Investments in property, plant, and equipment	263,099	4,311,470
Proceeds from issuance of long-term debt	–	17,570,000
Proceeds from capital lease	–	625,000
Payments on capital lease	(71,332)	–
Payments on long-term debt	(83,000)	(8,260,289)
Payments on annuities payable	(182,072)	(157,968)
Net cash provided by financing activities	1,993,807	14,815,775
Net (decrease) increase in cash and cash equivalents	(5,173,505)	1,883,835
Cash and cash equivalents at the beginning of the year	7,678,101	5,794,266
Cash and cash equivalents at the end of the year	$ 2,504,596	7,678,101
Supplemental cash flow information:		
Cash paid during the year for interest	$ 996,136	623,886

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Hamline University of Minnesota (the University) is a selective, private, coeducational, comprehensive university with a liberal arts college, a graduate school, and a school of law. The University is affiliated with the United Methodist Church.

(b) Basis of Presentation

The accompanying financial statements of the University have been prepared on an accrual basis in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the University and changes therein are classified into the following three categories:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the University. Certain of these amounts have been designated by the board for endowment;

- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time; and

- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the University to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Donor restricted contributions whose restrictions are met in the same year as the gift is made are reported as temporarily restricted contributions in the current year. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Income and realized and unrealized net gains on investments are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or the University interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;

- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; and

- As increases in unrestricted net assets in all other cases.

(c) Investments

Investments are carried at fair value, based upon values provided by external investment managers or quoted market values. Limited partnerships are recorded at the fair value determined by the partnership. Unrealized gains and losses are recognized in the period in which they occur.

(d) Inventories

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

(e) Cash and Cash Equivalents

Cash and cash equivalents include interest bearing money market accounts and short-term investments with an original maturity of less than three months.

(f) Restricted Cash

The provisions of the University's long-term financing agreements require it to maintain certain of its cash and cash equivalents in reserve funds, which are subject to restrictions on the disbursement of such funds. Accordingly, such amounts are reported separately from cash and cash equivalents in the statement of financial position.

(g) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair market value at the date of donation less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	50 years
Land improvements	20 years
Computer equipment	5–7 years
Other equipment	2–20 years
Library materials	10 years

Depreciation expense includes the amortization of capital lease assets.

Expenditures for new construction, major renewals and replacements, and equipment costing over $1,000 are capitalized.

(h) *Fair Value of Financial Instruments*

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and deposits and deferred credits approximate fair value because of the short maturity of these financial instruments. Pledges receivable and annuities payable are recorded at fair value using appropriate discount rates. Investments are carried at fair value, based upon values provided by external investment managers or quoted market values. In cases where such values are not available, carrying value is used as an estimate of fair value.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to government for student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. Government or its designees. The fair value of receivables from students under University loan programs approximates carrying value.

The carrying amount of long-term financing approximates fair value because these financial instruments bear interest at rates that approximate current market rates for debt with similar maturities and credit quality.

(i) *Federal Income Taxes*

The University is classified by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income.

(j) *Use of Estimates*

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

(k) *Prior-year Summarized Information*

The financial statements include certain prior-year summarized information in total but not by net asset class. With respect to the statement of activities, such prior-year information is not presented by net asset class. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 1997, from which the summarized information was derived.

(l) *Reclassifications*

Certain reclassifications have been made to the 1997 financial information to conform with the 1998 financial statement presentation.

(2) Long-term Investments

The long-term investments include funds traditionally considered the endowment of the University as well as assets of deferred gifts and funds designated for debt service. As of June 30, 1998, the allocations shown at market value are as follows:

Permanent endowment	$ 20,842,051
Funds functioning as endowment	20,701,214
Subtotal	41,543,265
Deferred gifts	2,777,058
Designated for debt service	49,316
Unrestricted funds	3,781,687
Total long-term investments	$ 48,151,326

The assets of the long-term investments include:

	Fair value
Equities	$ 30,416,755
Limited partnerships	9,006,736
Bonds	8,170,803
Other	557,032
	$ 48,151,326

(3) Investment Income

During the year ended June 30, 1998, the board of trustees set a spending rate for board designated endowment and endowment funds designated for unrestricted and financial aid purposes that authorizes spending six percent of the average market value of the pooled endowment funds for the three prior fiscal years. The following schedule summarizes the investment return and its classification in the statement of activities:

Dividends and interest	$ 742,733
Advisory fees	(342,869)
Net realized and unrealized gains	4,319,550
Return on assets held for investment	4,719,414
Investment income on short-term investments	665,418
Total return on investments	5,384,832
Investment return designated for current operations	2,845,270
Investment return in excess of amounts designated for current operations	$ 2,539,562

(4) Temporarily and Permanently Restricted Net Assets

The net asset balances consist of the following at June 30, 1998:

Temporarily restricted:	
Designated for programs	$ 3,457,698
Gifts designated for plant expenditures	615,840
Deferred gifts	372,775
	$ 4,446,313
Permanently restricted:	
Permanent endowment	20,842,051
Beneficial interest in perpetual trust	759,793
Deferred gifts	1,329,338
Gifts designated for student loans	235,173
	$ 23,166,355

HAMLINE UNIVERSITY OF MINNESOTA

Notes to Financial Statements

(5) Pledges Receivable

Pledges receivable are summarized as follows at June 30, 1998:

Unconditional promises expected to be collected in:	
Less than one year	$ 775,859
One year to five years	944,367
	1,720,226
Discount (7%)	(213,986)
	$ 1,506,240

(6) Long-term Financing

Long-term financing consisted of the following at June 30, 1998:

Hamline University Dormitory and Auxiliary Facilities Bonds of 1969 (original amount of $2,250,000): Series C, 3%, payable in varying installments to June 1, 2009	$ 685,000
MHEFA Mortgage Revenue Bonds of 1996, Series Four I, 4.6% to 5.65%, payable in varying installments to October 1, 2007 (original amount of $17,500,000)	17,500,000
Other	56,000
	$ 18,241,000

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 three percent. Buildings carried at $7,000,000, along with underlying land and deposits with trustees under the bond indentures, are pledged as collateral to the bonds.

On September 26, 1996, the Minnesota Higher Education Facilities Authority (MHEFA) issued $17,500,000 of Revenue Bonds on behalf of Hamline University of Minnesota. A portion of the proceeds were utilized to redeem the MHEFA III-A Bonds, maturing 1996-2010 and the MHEFA III-K Bonds, maturing 1996-2009. Interest is payable semiannually on April 1 and October 1 of each year. The principal amounts due on or after October 1, 2007, are subject to early redemption at the option of MHEFA commencing October 1, 2006. Deposits with the trustees under the bond indenture are pledged as collateral.

As of June 30, 1998, future debt service requirements, which include principal and interest payments on all long-term borrowings, is summarized as follows:

Year ending June 30:	
1999	$ 1,627,923
2000	1,624,588
2001	1,619,044
2002	1,626,200
2003	1,597,305
After 2003	21,729,198
Total principal and interest payments	$ 29,824,258

(7) **Obligations Under Capital Leases**

During fiscal year 1997, the University entered into a lease and purchase agreement for the acquisition and installation of telecommunications equipment. The terms of this lease agreement provides for title of the property to vest with the University. The lease meets the criteria of a capital lease.

Future minimum lease payments for the capital lease at June 30, 1998, together with the present value of the minimum lease payments, are as follows:

Year ending June 30:	
1999	$ 109,989
2000	109,989
2001	109,989
2002	109,989
2003	109,989
After 2003	109,989
Total minimum lease payments	659,934
Less amount representing interest	106,266
Present value of minimum lease payments	$ 553,668

(8) **Property, Plant, and Equipment**

Property, plant, and equipment consist of the following at June 30, 1998:

Land	$ 1,352,966
Land improvements	2,941,800
Buildings	62,634,371
Equipment	10,689,372
Library books and other	6,737,221
Construction-in-process	181,325
	84,537,055
Less accumulated depreciation	(31,178,618)
	$ 53,358,437

(9) **Auxiliary Enterprises**

Revenues and expenditures of auxiliary enterprises for the year ended June 30, 1998, consist of:

	Revenues	Expenses
Residence halls and other campus housing	$ 1,953,922	3,031,416
Dining halls	2,346,491	2,291,854
Information services and other	898,160	735,094
	5,198,573	6,058,364
Depreciation, plant operations and maintenance, and interest expense	–	(1,893,462)
	$ 5,198,573	4,164,902

(10) **Retirement Plan**

The University participates in the Teachers Insurance and Annuity Association of America retirement 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. Expense incurred by the University for the retirement plan was $1,424,000 for the year ended June 30, 1998.

(11) **Other Postretirement Benefits**

The University provides medical benefits for eligible employees who retire between the ages of 55 and 65 with 10 or more years of service. The University does not pre-fund these costs.

The components of net periodic postretirement benefit cost are as follows:

Service cost of benefits earned during the period	$ 101,361
Interest cost on accumulated postretirement benefit obligation	154,396
Net periodic postretirement benefit cost	$ 255,757

The amounts recognized in the University's statement of financial position are as follows:

Accumulated postretirement benefit obligation:	
Retirees	$ 543,768
Fully eligible active plan participants	479,864
Other active plan participants	970,053
Accrued postretirement benefit cost included in accounts payable and accrued expenses	$ 1,993,685

The discount rate used in determining the accumulated postretirement benefit obligation (APBO) was 8.5 percent. The assumed increase in health-care costs used in measuring the APBO was 12 percent in fiscal year 1998, 7 percent in fiscal year 1999, and 6 percent in fiscal year 2000 for retirees under 65, while the assumed increase for retirees age 65 and over were 9 percent in fiscal year 1998, and 6 percent in fiscal year 1999. The health-care cost trend rate assumption has a significant effect on the amounts reported. For example, a one percent increase in the health-care trend rate would increase the APBO by approximately $91,000 at June 30, 1998, and the net periodic postretirement benefit cost by approximately $17,000 for fiscal year 1998.

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HAMLINE UNIVERSITY

FINANCIAL STATEMENTS

MAY 31, 1996

KPMG Peat Marwick LLP

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Trustees
Hamline University:

We have audited the accompanying statement of financial position of Hamline University of Minnesota (the University) as of May 31, 1996 and the related statements of activities and cash flows 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 University as of May 31, 1996 and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated July 19, 1996 on our consideration of the University's internal control structure and a report dated July 19, 1996 on its compliance with laws and regulations.

As discussed in note 1 to the financial statements, the University adopted the provisions of the Financial Accounting Standards Board's Statements of Financial Accounting Standards (SFAS) No. 106, *Employers' Accounting for Post Retirement Benefits other than Pensions*, No. 116, *Accounting for Contributions Received and Contributions Made*, and No. 117, *Financial Statements of Not-For-Profit Organizations*, during the year.

KPMG Peat Marwick LLP

July 19, 1996

HAMLINE UNIVERSITY OF MINNESOTA

Statement of Activities

Year ended May 31, 1996

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Tuition and fees	$ 33,443,748	0	0	33,443,748
Less: Student aid	7,733,350	0	0	7,733,350
Net student tuition and fees	25,710,398	0	0	25,710,398
Government grants	121,021	1,415,105	0	1,536,126
Contributions	2,745,976	3,358,426	1,041,935	7,146,337
Investment return designated for current operations	1,797,156	1,323,270	24,018	3,144,444
Sale and services of educational activities	266,641	0	0	266,641
Other sources	622,052	424,451	0	1,046,503
Auxiliary enterprises	4,681,739	0	0	4,681,739
Net assets released from restrictions	3,944,595	(3,944,595)	0	0
Total revenues	39,889,578	2,576,657	1,065,953	43,532,188
Expenses:				
Instruction	12,965,154	0	0	12,965,154
Research	220,156	0	0	220,156
Public service	733,171	0	0	733,171
Academic support	5,904,647	0	0	5,904,647
Student services	4,663,017	0	0	4,663,017
Institutional support	5,985,852	0	11,000	5,996,852
Physical plant	2,322,715	0	0	2,322,715
Auxiliary enterprises	5,000,368	0	0	5,000,368
Total expenses	37,795,080	0	11,000	37,806,080
Increase in net assets before investment return in excess of amounts designated for current operations	2,094,498	2,576,657	1,054,953	5,726,108
Investment return in excess of amounts designated for current operations	3,709,113	0	0	3,709,113
Increase in net assets	5,803,611	2,576,657	1,054,953	9,435,221
Net assets at beginning of year	42,413,347	3,077,471	17,664,617	63,155,435
Net assets at end of year	$ 48,216,958	5,654,128	18,719,570	72,590,656

See accompanying notes to financial statements.

HAMLINE UNIVERSITY OF MINNESOTA

Statement of Financial Position

May 31, 1996

Assets		
Cash and cash equivalents	$	6,377,573
Accounts receivable		2,351,299
Prepaid expenses		587,455
Inventories		237,034
Pledges receivable		1,264,275
Loans receivable		6,920,622
Investments		42,245,810
Property, plant, and equipment (net)		37,616,789
Total assets	$	97,600,857

Liabilities and Net Assets		
Accounts payable and accrued expenses		7,116,626
Deposits and deferred credits		2,077,118
Annuities payable		861,838
Grants refundable to government		5,940,330
Long-term financing		9,014,289
Total liabilities		25,010,201
Net assets:		
Unrestricted		48,216,958
Temporarily restricted		5,654,128
Permanently restricted		18,719,570
Total net assets		72,590,656
Total liabilities and net assets	$	97,600,857

See accompanying notes to financial statements.

HAMLINE UNIVERSITY OF MINNESOTA

Statement of Cash Flows

Year ended May 31, 1996

Cash flows from operating activities:	
Change in net assets	$ 9,435,221
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,711,164
Gains on investments	(5,590,512)
Contributions restricted for nonoperating activities	(3,520,148)
Postretirement benefits other than pensions	125,000
Adjustment of actuarial liability for annuities payable	50,977
Loss on disposal of equipment	9,000
Change in assets and liabilities:	
Accounts receivable	(3,822)
Loans receivable	(399,418)
Inventories	(26,408)
Prepaid expenses	98,861
Pledges receivable	(1,264,275)
Accounts payable and accrued expenses	283,884
Deposits and deferred credits	64,080
Grants refundable to government	382,906
Net cash provided by operating activities	2,356,510
Cash flows from investing activities:	
Acquisitions of property, plant, and equipment	(4,965,474)
Proceeds from contributions restricted for investment in property, plant, and equipment	2,397,448
Purchases of investments	(11,092,804)
Proceeds from sale of investments	13,717,930
Net cash provided by investment activities	57,100
Cash flows from financing activities:	
Proceeds from contributions restricted for:	
Investment in endowment	1,046,800
Investments subject to annuity agreements	75,900
Payments on long-term debt	(424,706)
Payments on annuities payable	(101,311)
Net cash provided by financing activities	596,683
Net increase in cash and cash equivalents	3,010,293
Cash and cash equivalents at the beginning of the year	3,367,280
Cash and cash equivalents at the end of the year	$ 6,377,573

See accompanying notes to financial statements.

HAMLINE UNIVERSITY OF MINNESOTA

Notes to Financial Statements

May 31, 1996

(1) Organization and Summary of Significant Accounting Policies

Organization

Hamline University of Minnesota (the University) is a selective, private, coeducational, comprehensive university with a liberal arts college, a graduate school, and a school of law. The University is affiliated with the United Methodist Church.

Basis of Presentation

The accompanying financial statements of the University have been prepared on an accrual basis in accordance with generally accepted accounting principles.

During fiscal year 1996, the University adopted Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made,* (SFAS 116) and Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS 117). SFAS 116 establishes standards of financial accounting and reporting for contributions received. SFAS 117 establishes standards for general-purpose external financial statements provided by not-for-profit organizations.

As permitted by Statements 116 and 117, the University applied the provisions retroactively. Therefore, net assets as of June 1, 1995 have been restated.

Under the provisions of SFAS 117, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the University and changes therein are classified into the following three categories:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the University. Certain of these amounts have been designated by the board for endowment;

- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time; and

- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the University to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Donor restricted contributions whose restrictions are met in the same year as the gift is made are reported as temporarily restricted contributions in the current year. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or the University interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;

- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; and

- As increases in unrestricted net assets in all other cases.

During fiscal year 1996, the University adopted SFAS No. 106, *Employers' Accounting for Postretirement Benefits other than Pensions*. The University provides medical benefits for eligible employees who retire between the ages of 55 and 65 with 10 or more years of service. SFAS 106 requires accrual accounting for these costs during the years the employee renders the necessary service. The cost of providing these benefits was previously recognized as expense in the year the benefits were paid.

Implementation of SFAS 106 and 116

The following summarizes the differences between the June 1, 1995 fund balances as previously reported and the June 1, 1995 net assets as reported herein:

Fund balances as previously reported at June 1, 1995	$ 70,253,791
Government grants repayable—Perkins loan fund	(5,557,424)
Accrued postretirement benefit cost	(1,540,932)
Restated net asset balances at June 1, 1995	$ 63,155,435

Investments

Investments are carried at market value. Unrealized gains and losses are recognized in the period in which they occur.

Inventories

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

Cash and Cash Equivalents

Cash and cash equivalents include interest bearing money market accounts and short-term investments with an original maturity of less than three months.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	50 years
Land improvements	20 years
Computer equipment	5–7 years
Other equipment	2–20 years
Library materials	10 years

Expenditures for new construction, major renewals and replacements, and equipment costing over $1,000 are capitalized.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and deposits and deferred credits approximate fair value because of the short maturity of these financial instruments. Pledges receivable and annuities payable are recorded at fair value using an appropriate discount rate. Investments are carried at fair value, based upon values provided by an external investment manager or quoted market values.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to government for student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. government or its designees. The fair value of receivables from students under University loan programs approximates carrying value.

The carrying amount of long-term financing approximates fair value because these financial instruments bear interest at rates that approximate current market rates for debt with similar maturities and credit quality.

Federal Income Taxes

The University is classified by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. The University has no unrelated business income.

Use of Estimates

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

(2) Long-term Investments

The long-term investments include funds traditionally considered the endowment of the University as well as assets of deferred gifts and funds designated for debt service. As of May 31, 1996, the allocations shown at market value are as follows:

Permanent endowment	$ 18,719,570
Funds functioning as endowment	18,170,215
Subtotal	36,889,785
Deferred gifts	1,253,635
Designated for debt service	989,956
Unrestricted funds	3,112,434
Total long-term investments	$ 42,245,810

The assets of the long-term investments include:

	Market value	Cost
Bonds	$ 10,291,826	9,779,065
Equities	24,498,634	18,317,845
Nontraditional	6,733,017	5,609,915
Other	722,333	775,631
	$ 42,245,810	34,482,456

(3) Investment Income

During the year ended May 31, 1994, the board of trustees set a spending rate for quasi endowment and endowment funds designated for unrestricted and financial aid purposes that authorizes spending nine percent of the average market value of the pooled endowment funds for the three prior fiscal years. The following schedule summarizes the investment return and its classification in the statement of activities:

Dividends and interest	$ 952,931
Advisory fees	(237,710)
Net realized and unrealized gains	5,590,512
Return on assets held for investment	6,305,733
Investment income on short-term investments	547,824
Total return on investments	6,853,557
Investment return designated for current operations	3,144,444
Investment return in excess of amounts designated for current operations	$ 3,709,113

Certain assets of the endowment and similar funds having a market value of $33,694,000 are pooled.

HAMLINE UNIVERSITY OF MINNESOTA

(4) Temporarily and Permanently Restricted Net Assets

The net asset balances consist of the following at May 31, 1996:

Temporarily restricted:	
Designated for programs	$ 2,669,821
Gifts designated for plant expenditures	2,681,091
Deferred gifts	303,216
	$ 5,654,128
Permanently restricted:	
Permanent endowment	17,781,500
Deferred gifts	687,279
Gifts designated for student loans	250,791
	$ 18,719,570

(5) Pledges Receivable

Pledges receivable are summarized as follows at May 31, 1996:

Unconditional promises expected to be collected in:	
Less than one year	$ 781,760
One year to five years	482,515
	$ 1,264,275

(6) Long-term Financing

Long-term financing consisted of the following at May 31:

Hamline University Dormitory and Auxiliary Facilities Bonds of 1969 (original amount of $2,250,000):	
Series B, 3%, payable in varying installments to June 1, 1998	$ 56,000
Series C, 3%, payable in varying installments to June 1, 2009	835,000
MHEFA Revenue Bonds of 1991, Series III-A, 6.55% to 7%, payable in varying installments to October 1, 2010 (original amount of $4,430,000)	3,885,000
MHEFA Mortgage Revenue Bonds of 1992, Series III-K, 5.5% to 6.6%, payable in varying installments to June 1, 2009 (original amount of $4,565,000)	4,235,000
Capitalized lease obligations, 12.25% to 12.75%, payable in varying installments to December 31, 1996	3,289
	$ 9,014,289

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 three percent. Buildings carried at $7,000,000, along with underlying land and deposits with trustees under the bond indentures, are pledged as collateral to the bonds.

On August 1, 1991, the Minnesota Higher Education Facilities Authority (MHEFA) issued $4,430,000 of Revenue Bonds on behalf of Hamline University of Minnesota. Interest is payable semiannually on April 1 and October 1 of each year. The principal amounts due after October 1, 2001 are subject to early redemption at the option of MHEFA commencing October 1, 2000.

On May 1, 1992, the MHEFA issued $4,565,000 of Mortgage Revenue Bonds on behalf of Hamline University of Minnesota. The proceeds were utilized to redeem the MHEFA III-A Bonds maturing 1993-2008. Interest is payable semiannually on June 1 and December 1 of each year commencing December 1, 1992. The principal amounts due on or after June 1, 2003 are subject to early redemption at the option of MHEFA commencing June 1, 2002. The Law Center, along with underlying land and deposits with trustees under the bond indentures, is pledged as collateral to the bonds.

The University paid approximately $586,000 in interest during fiscal year 1996.

The debt service, which includes principal and interest expense for long-term borrowings, is summarized as follows:

Year ending May 31:	
1997	$ 987,177
1998	969,405
1999	986,945
2000	968,045
2001	971,230
After 2001	8,711,611
Total principal and interest	$ 13,594,413

HAMLINE UNIVERSITY OF MINNESOTA

(7) Property, Plant, and Equipment

Property, plant, and equipment consist of the following at May 31, 1996:

	Cost
Land	$ 1,330,520
Land improvements	2,265,307
Buildings	45,303,061
Equipment	7,546,237
Library books and other	5,421,877
Construction-in-process	792,681
	62,659,682
Less accumulated depreciation	(25,042,894)
	$ 37,616,789

(8) Auxiliary Enterprises

Revenues and expenditures of auxiliary enterprises consist of:

	Year ended May 31, 1996 Revenues	Year ended May 31, 1996 Expenses and payments
Residence halls and other campus housing	$ 1,641,182	2,168,936
Dining halls	2,163,711	1,975,986
Information services and other	876,846	855,446
	4,681,739	5,000,368
Debt service payments	0	439,801
Depreciation and interest expense	0	(897,758)
	$ 4,681,739	4,542,411

(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. Total expenditures for the retirement plan were $1,297,000 and $1,209,000 for the years ended May 31, 1996 and 1995, respectively.

(10) Other Postretirement Benefits

The University provides medical benefits for eligible employees who retire between the ages of 55 and 65 with 10 or more years of service.

The components of net periodic postretirement benefit cost are as follows:

Service cost of benefits earned during the period	$ 80,874
Interest cost on accumulated postretirement benefit obligation	134,038
Net periodic postretirement benefit cost	$ 214,912

The amounts recognized in the University's statement of financial position are as follows:

Accumulated postretirement benefit obligation:	
Retirees	$ 558,618
Fully eligible active plan participants	336,985
Other active plan participants	770,333
Accrued postretirement benefit cost	$ 1,665,936

The discount rate used in determining the accumulated postretirement benefit obligation (APBO) was 8.5 percent. The assumed increase in health-care costs used in measuring the APBO was 10.0 percent in fiscal year 1996, decreasing 1.0 percent per year to 6.0 percent for fiscal year 2000 and after for retirees under 65 and 6.0 percent per year for retirees age 65 and over. The health-care cost trend rate assumption has a significant effect on the amounts reported. For example, a one percent increase in the health-care trend rate would increase the APBO by 3.4 percent at May 31, 1996 and the net periodic postretirement benefit cost by 4.8 percent for fiscal year 1996.