CERTIFICATE AS TO OFFICIAL STATEMENT

The Official Statement dated August 9, 2006, prepared for use in the sale of the $2,195,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-E3 (Trustees of the Hamline University of Minnesota), to the best of the knowledge of the undersigned, did not as of its date and does not as of the date of this Certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

WITNESS our hands this 24th day of August, 2006.

TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA

Vice President for Finance and Treasurer and Authorized Institution Representative

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Marianne T. Remedios
Assistant Secretary and Executive Director

M:\DOCS\15003\000005\CER\IJ7411.DOC

OFFICIAL STATEMENT DATED AUGUST 9, 2006

NEW ISSUE **Rating: Moody's Aa3 / VMIG1**

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 Series Six-E3 Bonds is not includable in gross income for federal income tax purposes or in net 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 and corporations. Interest on the Series Six-E3 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 Series Six-E3 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.")

$2,195,000

Minnesota Higher Education Facilities Authority

Variable Rate Demand Revenue Bonds, Series Six-E3
(Trustees of the Hamline University of Minnesota)

(DTC Book Entry Only)

Maturity Date: October 1, 2016

Dated Date: Date of Issue **CUSIP: 60416H HT 4**

This Official Statement contains information relating to the Variable Rate Demand Revenue Bonds, Series Six-E3 (the "Series Six-E3 Bonds") prior to the Conversion Date. Holders or purchasers of the Series Six-E3 Bonds are not to rely on the information herein with respect to the terms or conditions of the Series Six-E3 Bonds after the Conversion Date or with respect to other information herein after the initial offering.

The Series Six-E3 Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of the Trustees of the Hamline University of Minnesota, a Minnesota non-profit corporation, as owner and operator of Hamline University, Saint Paul, Minnesota (the "University"), and, during the Variable Rate Period, drawings on the Letter of Credit.

The Series Six-E3 Bonds will be issued as fully registered bonds without coupons in minimum denominations of $100,000 and any larger amount which is an integral multiple of $5,000, 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 Series Six-E3 Bonds. Individual purchases may be made in book-entry form only and Purchasers will not receive certificates representing their interest in the Series Six-E3 Bonds purchased. (See "THE BONDS - Book Entry System" herein.)

During the Variable Rate Period, payment of principal of and 35 days of interest on the Bonds, as hereinafter defined, at the Maximum Rate will be secured by an irrevocable, transferable, direct-pay letter of credit issued by

Harris N.A.

or by any provider of an Alternate Letter of Credit. During the Variable Rate Period, if the University provides an Alternate Letter of Credit as more fully described herein, then the Series Six-E3 Bonds shall be subject to mandatory tender on the effective date of substitution of the Alternate Letter of Credit.

The Series Six-E3 Bonds are subject to redemption prior to maturity as described herein.

THE SERIES SIX-E3 BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA, NOR SHALL THEY 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 Series Six-E3 Bonds will bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including August 30, 2006. Thereafter, until the Conversion Date, the Series Six-E3 Bonds will bear interest at a Variable Rate that is determined weekly by the Remarketing Agent. Interest on the Series Six-E3 Bonds shall be payable on each Interest Payment Date for the immediately preceding Interest Accrual Period. Interest shall be computed on the basis of a 365- or 366-day year and actual days elapsed. At the option of the University and upon the conditions set forth in the Indenture, the interest rate on the Series Six-E3 Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Bondholders have the right to tender their Series Six-E3 Bonds for purchase by presentation to Wells Fargo Bank, National Association (the "Trustee" and the "Tender Agent") at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is RBC Capital Markets.

BONDHOLDERS ARE REQUIRED TO TENDER AND SELL THEIR SERIES SIX-E3 BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST THEREON, OR, IF THE MANDATORY TENDER RELATES TO THE PROVISION OF AN ALTERNATE LETTER OF CREDIT, MAY ELECT NOT TO TENDER OR SELL, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date occurs on the effective date of the substitution of any Alternate Letter of Credit, on specified dates following failure to extend the Letter of Credit and upon failure to provide an Alternate Letter of Credit, or on any Proposed Conversion Date. Any Series Six-E3 Bond to be purchased which is not timely delivered to the Tender Agent on the Mandatory Tender Date or the Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall be deemed no longer outstanding and shall cease to accrue interest on such Tender Date.

The Series Six-E3 Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Series Six-E3 Bonds by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Oppenheimer Wolff & Donnelly LLP, Minneapolis, Minnesota, for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota, and for Harris N.A. by Chapman and Cutler LLP, Chicago, Illinois. It is expected that the Series Six-E3 Bonds in definitive form will be available for delivery to the Underwriter through the facilities of DTC on or about August 24, 2006.

RBC Capital Markets

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES SIX-E3 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, the Underwriter, or the Bank (as defined herein) to give any information or to make any representations with respect to the Series Six-E3 Bonds, 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, DTC and the Bank, has been obtained from the University and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority contained in this Official Statement, 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, the Bank 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 of such documents have not been included as appendices hereto, they will be furnished on request.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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 Series Six-E3 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 Series Six-E3 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 Series Six-E3 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 Series Six-E3 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.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY

IDENTIFIABLE BY WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE UNIVERSITY NOR ANY OTHER PARTY EXPECTS OR INTENDS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

David D. Rowland, Chair	Senior Vice President, The St. Paul Travelers Companies, Inc., Eden Prairie, Minnesota
Michael D. Ranum, Vice Chair	Chief Financial and Administrative Officer, Hazelden Foundation, Circle Pines, Minnesota
Mary F. Ives, Secretary	Real Estate Business Owner, Grand Rapids, Minnesota
Gary D. Benson	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, New Brighton, Minnesota
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Mark Misukanis (Ex Officio)	Director of Fiscal Policy and Research, Minnesota Office of Higher Education, Saint Paul, Minnesota
Carla Nelson	Business Development and Marketing Director, Olmsted Financial Group, Rochester, Minnesota
Raymond VinZant, Jr.	Policy Representative, Office of U.S. Senator Norm Coleman, Saint Paul, Minnesota

There is one vacancy on the Board.

Marianne T. Remedios, Executive Director

Bond Counsel
Fryberger, Buchanan, Smith & Frederick, P.A.

Financial Advisor
Springsted Incorporated

TABLE OF CONTENTS

(This page was left blank intentionally.)

OFFICIAL STATEMENT

$2,195,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

VARIABLE RATE DEMAND REVENUE BONDS, SERIES SIX-E3 (TRUSTEES OF THE HAMLINE UNIVERSITY OF MINNESOTA)

(DTC 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 non-profit corporation, as owner and operator of Hamline University, Saint Paul, Minnesota (the "University") in connection with the issuance of the Authority's $2,195,000 Variable Rate Demand Revenue Bonds, Series Six-E3 (Trustees of the Hamline University of Minnesota) (the "Series Six-E3 Bonds").

The Series Six-E3 Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, by which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota (the "State") to finance certain projects.

The Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota (the "Trustee") entered into a Trust Indenture dated as of June 1, 2005 (the "Indenture"). The Indenture authorized the issuance and sale of three series of bonds. Pursuant to the Indenture, the Authority issued on behalf of the University on June 30, 2005, its $9,580,000 Variable Rate Demand Revenue Bonds, Series Six-E1 (Trustees of the Hamline University of Minnesota) (the "Series Six-E1 Bonds") and its $8,580,000 Variable Rate Demand Revenue Bonds, Series Six-E2 (Trustees of the Hamline University of Minnesota) (the "Series Six-E2 Bonds").

The Series Six-E3 Bonds are the third issue being issued pursuant to the Indenture. The Series Six-E1 Bonds, the Series Six-E2 Bonds and the Series Six-E3 Bonds are collectively referred to herein as the "Bonds." The Trustee will initially also act as Tender Agent for the Bonds.

Pursuant to a Loan Agreement between the University and the Authority, dated as of June 1, 2005, relating to the Bonds, the University has covenanted as a general obligation of the University to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and to pay the Purchase Price of the Bonds on any Tender Date.

The proceeds of the Series Six-E3 Bonds will be loaned to the University by the Authority and, along with University funds, will be used to:

1. refinance on a current refunding basis the Authority's outstanding Series Four-I Bonds issued on behalf of the University (the "Refunded Bonds"), and
2. pay issuance costs.

See "USE OF PROCEEDS" herein for a more detailed description of the project.

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the University, and, prior to the Conversion Date, draws under a Letter of Credit, as further described herein.

At the time of the issuance of the Series Six-E1 Bonds and Series Six-E2 Bonds, Harris N.A. (the "Bank") delivered an irrevocable, transferable, direct pay letter of credit to the Trustee to secure the Series Six-E1 Bonds and the Series Six-E2 Bonds. Such letter of credit was issued pursuant to a Reimbursement Agreement dated as of June 1, 2005 (the "Reimbursement Agreement"), between the University and the Bank. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein.

Under the Reimbursement Agreement and upon the occurrence of certain conditions, the Bank agreed to issue an amended and restated irrevocable, transferable, direct-pay letter of credit on the issuance date of the Series Six-E3 Bonds to secure all of the Bonds. (The irrevocable, direct-pay letter of credit delivered by the Bank to the Trustee on the issuance of the Series Six-E1 Bonds and the Series Six-E2 Bonds and the amended and restated irrevocable, direct-pay letter of credit delivered by the Bank to the Trustee on the issuance of the Series Six-E3 Bonds are referred to herein as the "Original Letter of Credit.") The Trustee will be authorized to draw an amount equal to the principal amount of the Bonds, plus 35 days of interest to accrue thereon assuming a maximum interest rate (the "Maximum Rate") of 10% per annum on the Bonds during the Variable Rate Period. If the Original Letter of Credit is not renewed or replaced prior to its stated expiration date (July 7, 2009), unless terminated earlier pursuant to the terms thereof, the Bonds are required to be tendered or converted to bear interest at a Fixed Rate. The University has agreed in the Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, calculated at the Maximum Rate, for a period equal to 35 days (or such other period as the rating agency then rating the Bonds may require).

For information concerning the Bank, including certain financial information, see Appendix VII hereto.

The Series Six-E3 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 III and IV for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE SERIES SIX-E3 BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT AND, WITH RESPECT TO THE TERM OF THE ORIGINAL LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF JULY 7, 2009, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" HEREIN.

This Official Statement contains information relating to the Series Six-E3 Bonds prior to the Conversion Date. Holders or purchasers of the Series Six-E3 Bonds are not to rely on the information herein with respect to the terms or conditions of the Series Six-E3 Bonds after the Conversion Date or with respect to other information herein after the initial offering. This Official Statement must not be used or relied upon by a Holder or

purchaser of Series Six-E3 Bonds in connection with the remarketing of Series Six-E3 Bonds, the optional tender of Series Six-E3 Bonds by a Holder, the provision of an Alternate Letter of Credit or conversion of the Series Six-E3 Bonds to a Fixed Rate.

RISK FACTORS

No person should purchase Series Six-E3 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 Series Six-E3 Bonds.

Letter of Credit

The Bonds are secured by (a) during the Variable Rate Period, the Letter of Credit; (b) a pledge by the Authority to the Trustee of amounts payable by the University under the Loan Agreement; and (c) money and investments held by the Trustee under the Indenture (except any money and investments held pursuant to the Escrow Agreements to pay the Prior Bonds or required to be paid to the United States Treasury).

The Bonds are initially secured by the Original Letter of Credit issued by the Bank, and the purchasers of the Bonds are expected to rely thereon in deciding whether to purchase, hold, or sell the Bonds. See "RATING" herein. However, if for any reason the Bank fails to honor a drawing on the Original Letter of Credit and the University fails to make payment due on the Bonds, the Bonds will be accelerated and may be paid in whole or in part out of the University's Loan Repayments.

The ability of the Bank to honor drawings on the Letter of Credit will depend solely on the Bank's general credit. There can be no assurance that the Bank will be able to meet its obligations under the Original Letter of Credit. Certain information with respect to the Bank is set forth in Appendix VII. Such information was provided by the Bank and no representation is made as to the adequacy, accuracy or completeness thereof.

The Original Letter of Credit expires July 7, 2009, subject to extension, at the option of the Bank, as provided in the Reimbursement Agreement. No assurances can be given that the University will be able to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit to secure the Bonds at their stated interest rates and original terms until and including the final stated maturity of the Bonds. In the event of a failure to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit, the Bondholders will be required under the Indenture to tender their Bonds to the Trustee for mandatory purchase from the proceeds of a draw under the Letter of Credit, at a purchase price equal to the principal amount thereof. Interest owing on the Bonds as of such date will be paid as on any other Interest Payment Date.

The Bonds are not secured by a mortgage or lien on, or a security interest in, any property of the University.

Redemption, Acceleration, or Purchase Prior to Maturity

In considering whether the Series Six-E3 Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading "THE BONDS – Redemption." The Bonds may be called for redemption prior to maturity on any Interest Payment Date at the option of the University or in certain instances of damage or destruction or condemnation of the Project Facilities. The Bonds shall be subject to mandatory tender if the University fails to replace the Letter of Credit prior to its Termination Date or the Bank fails to extend the Letter of Credit. In addition, if certain Events of Default occur under the Loan Agreement, the Indenture or the Reimbursement Agreement, the Bank has the right, in its sole discretion, to require that the Bonds be accelerated. The Bonds are subject to mandatory tender for purchase upon the substitution of a Letter of Credit or proposed conversion to Fixed Rates (See "THE BONDS – Mandatory Tender"). The effect on Bondholders of such an acceleration or purchase would be similar to that of early redemption at par. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement" herein and "THE LOAN AGREEMENT – Events of Default" and "THE INDENTURE – Events of Default" in APPENDIX IV – SUMMARY OF DOCUMENTS. The Reimbursement Agreement requires the University to reimburse the Bank for drawings on the Letter of Credit, with the failure to make timely reimbursement (and certain other events of default) resulting in an acceleration of the Bonds at the option of the Bank. The ability of the University to reimburse the Bank from time to time is dependent upon, among other things, the University's ability to receive sufficient unrestricted revenues in excess of expenditures. The amount of future unrestricted revenue may be limited by a number of factors, including competition and adverse general economic conditions.

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 Indenture, the Reimbursement Agreement or the other obligations of the University. During the Variable Rate Period, the Bonds are payable solely from drawings under the Letter of Credit and from payments made by the University pursuant to the Loan Agreement in amounts sufficient to pay, when due, the principal of and interest on and the purchase price of the Bonds.

Bankruptcy and Receivership

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

CONTINUING DISCLOSURE

The Series Six-E3 Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Consequently, the University has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure with regard to the Series Six-E3 Bonds which might otherwise be required by the Rule. However, certain continuing disclosure information may be available from national repositories pursuant to continuing disclosure agreements relating to other outstanding obligations of the University. The University has never failed to comply with any previous agreements under the Rule to provide annual reports or notices of material events. The University will enter into an undertaking for continuing disclosure following a conversion of the Series Six-E3 Bonds to a Fixed Rate.

THE BONDS

The sole purpose of this section is to describe terms and provisions of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate, and must not be relied upon following the Conversion Date.

General

The Series Six-E3 Bonds will be dated the date of their initial delivery. The Series Six-E3 Bonds will mature October 1, 2016. Interest will be payable on the first Business Day of each month ("Interest Payment Date") commencing September 1, 2006.

Under the Indenture, the terms and the trust therein set forth are for the equal and proportionate benefit, security and protection of all holders of the Series Six-E1 Bonds, the Series Six-E2 Bonds and the Series Six-E3 Bonds, without preference, priority or distinction as to the lien or otherwise of any of the Bonds over any of the others, except as specifically provided for in the Indenture. Unless otherwise described, the descriptions that follow regarding the Bonds and the Original Letter of Credit apply to each series of the Bonds, including the Series Six-E3 Bonds.

The Bonds are issuable only as fully-registered bonds without coupons (initially in Book Entry Form), in denominations of $100,000 and any integral multiple of $5,000 in excess thereof.

The Bonds will bear interest at a Variable Rate established by the Remarketing Agent. From the Issue Date to and including August 30, 2006, the Series Six-E3 Bonds will bear interest at a rate to be determined by the Remarketing Agent prior to the Issue Date. Thereafter, the Remarketing Agent will determine the interest rate weekly as described below. See "THE BONDS – Setting of Interest Rates." Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender and optional redemption. See the captions "THE BONDS – Optional and Mandatory Tender" and "THE BONDS – Redemption" herein. The Bonds may be converted to a Fixed Rate as described herein under the caption "THE BONDS – Conversion to a Fixed Rate."

Setting of Interest Rates

The University has appointed RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets ("RBC Capital Markets") to serve as the Remarketing Agent (the "Remarketing Agent") who will determine the interest rate on the Bonds pursuant to the Remarketing Agreement for each Weekly Period ending prior to the Conversion Date. The University or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent. The Weekly Interest Rate will be determined by the Remarketing Agent on the Wednesday of each week or the succeeding Business Day if such Wednesday is not a Business Day and shall be effective commencing with the Thursday immediately succeeding such Wednesday (or the first day of the Weekly Period, if such day shall not be a Thursday) through and including the following Wednesday.

The Weekly Interest Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell outstanding Bonds on the first day of the applicable Weekly Period at a price equal to the principal amount thereof (plus accrued interest, if any). If, for any reason, the Remarketing Agent fails to determine the Weekly Interest Rate, or if a Weekly Interest Rate cannot legally be determined, the Weekly

Interest Rate for such period will be equal to (a) 105% of the VariFact™ Rate published by The Bond Buyer for such period, or (b) if the VariFact™ Rate is not published, 80% of the bond equivalent yields (calculated in accordance with standard practice in the banking industry) for the 13-week United States Treasury bills sold at the last United States Treasury auction of such bills prior to the date of determination. Interest during a Weekly Period shall be computed on the basis of the actual number of days in a year of 365 or 366 days, as appropriate.

The Remarketing Agent shall give notice to the Trustee, the University, the Tender Agent, and the Bank of the determination of each Weekly Interest Rate. The interest rate determination by the Remarketing Agent shall be conclusive and binding on the Holders, the University, the Authority, the Bank, the Tender Agent and the Trustee.

The interest rate on any Bond before the Conversion Date may not exceed 10% per annum (the "Maximum Rate").

Optional and Mandatory Tender

Optional Tender

Prior to the Conversion Date, a Holder may tender Bonds to the Tender Agent for purchase at the principal amount thereof plus accrued interest (the "Purchase Price") on any Business Day at least seven days after the Optional Tender Notice is given by the Holder and is received by or deemed received by the Tender Agent.

An Optional Tender Notice that is delivered to the Tender Agent at its principal office at or before 4:00 P.M., New York City time, on any Business Day shall be deemed delivered on such Business Day, and if such Notice is delivered after 4:00 P.M., New York City time, it shall be deemed to be delivered on the next succeeding Business Day. Optional Tender Notices are irrevocable upon receipt by the Tender Agent. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the date on which such Bond is to be purchased, which date shall be a Business Day not less than seven (7) days after the date the Optional Tender Notice is received or deemed to be received. During any period in which the Bonds are in Book Entry Form, no further deliveries are required to effect the Optional Tender.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date (when delivery is required during any period in which the Bonds are not in Book Entry Form), but for which there has been deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

Mandatory Tender

The Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price on (i) the effective date of the substitution of any Alternate Letter of Credit, (ii) on the last regularly scheduled Interest Payment Date preceding the Termination Date of the Letter of Credit, but in no event less than two (2) Business Days prior to the Termination Date, if the University has failed to deliver to the Trustee at least 35 days prior to such Interest Payment Date an extension of the Letter of Credit or an irrevocable commitment of a bank to issue an Alternate Letter of Credit, (iii) on the Business Day following such Interest Payment Date, but in no event less than two (2) Business Days prior to the Termination Date, if the University has failed to deliver to the Trustee by 10:00 A.M. New York City time on such Interest Payment Date an Alternate Letter of Credit, and (iv) any Proposed Conversion Date.

The Trustee shall give notice by mail to the University, the Bank, the Tender Agent, the Remarketing Agent, and the Holders of the Bonds subject to such mandatory tender not less than 30 days prior to the Mandatory Tender Date (other than pursuant to clause (iii) in the preceding paragraph).

In the case of a mandatory tender relating to the substitution of any Alternate Letter of Credit, the Holders may elect not to tender or sell their Bonds, in whole or in part (in Authorized Denominations), by delivery of a Non-Tender Notice not less than ten (10) days prior to the Mandatory Tender Date to the Tender Agent. Such notice shall be irrevocable and shall state the principal amount subject to tender, the number of the Bond, the name of the Holder, and the principal amount the Holder elects not to tender. The notice shall also state that the Holder acknowledges that the ratings on such Bonds may be modified, reduced, suspended or withdrawn.

During any period in which Bonds are in Book Entry Form, the Tender Agent shall purchase any Bond subject to mandatory tender for which a Non-Tender Notice has not been received without further action by the Holder. During any period in which the Bonds are not in Book Entry Form, each Bond which is not to be retained by the Holder must be tendered to the Tender Agent for purchase on behalf of the University at or before 9:00 A.M., New York City time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the University at the Purchase Price.

Interest on any Bond which is not to be retained by the Holder and for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Mandatory Tender Date, whether or not actually tendered on the Mandatory Tender Date and the Holder of such Bond shall not be entitled to any payment other than the Purchase Price for such Bond, and such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from funds held by the Tender Agent or the Trustee for such payment.

<u>Tenders Under Book-Entry System</u>

While any Bond is in Book-Entry Form, the term "Tendered Bond" refers to the beneficial ownership interest of the Beneficial Owner. On a Tender Date or upon remarketing, each Bond will be deemed delivered or transferred to a person upon transfer to such person of the beneficial ownership interest therein pursuant to the Book-Entry System.

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to DTC. No Bond in Book-Entry Form (other than a Bond which is to be converted to a Fixed Rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date.

So long as the book-entry system is in effect, the procedures for tender of Series Six-E3 Bonds by Beneficial Owners are governed by DTC procedures. See "THE BONDS – Book Entry System" herein. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

Remarketing and Purchase

On each Optional Tender Date and on each Mandatory Tender Date, the Tender Agent is required to purchase Tendered Bonds with funds either derived from the remarketing of Tendered Bonds or funds drawn under the Letter of Credit. Funds supplied by the University will not be used to purchase Bonds unless the Bank dishonors a draft for payment under the Letter of Credit. Subject to the availability of any required offering materials and satisfaction of other conditions precedent, the Remarketing Agent has agreed to use its best efforts to remarket Tendered Bonds.

Conversion to a Fixed Rate

The Indenture provides that the University has the one-time right with regard to the Bonds, with the Bank's consent, to be exercised at any time, to direct the Authority to convert the interest rate on all of the Bonds to a Fixed Rate, effective on any Variable Rate Interest Payment Date. To exercise its option, the University must deliver to the Authority, the Trustee, the Tender Agent and the Remarketing Agent written notice thereof along with the Bank's written consent at least 35 days prior to the Variable Rate Interest Payment Date on which the Fixed Rate is to become effective (the "Conversion Date") and an opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See "Tax Exemption" herein.

The Trustee shall give notice by mail to the Holders of the proposed conversion to a Fixed Rate not less than 30 days prior to the Proposed Conversion Date, specifying, among other things, the Proposed Conversion Date, the Computation Date, which is the date on which the Fixed Rate shall be determined and announced, which shall be not less than 15 days prior to the Proposed Conversion Date, and stating that the Bonds shall be subject to mandatory tender for purchase on the Proposed Conversion Date.

Notwithstanding the foregoing, the University may cancel the conversion to a Fixed Rate at any time on or prior to the last Business Day preceding the Proposed Conversion Date by giving notice to the Trustee, the Authority, the Remarketing Agent, the Tender Agent, and the Bank.

On the Computation Date, the Remarketing Agent shall determine the Fixed Rate, which shall be the annual interest rate, which, in the determination of the Remarketing Agent, if borne by the Bonds until their maturity, would result in the market value of the Bonds on that date being as nearly as practicable 100% of, but not less than, the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders shall have no right to tender such Bonds for purchase.

Redemption

Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the University, with the Bank's prior written consent to the extent the Reimbursement Agreement requires, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, plus accrued interest to the redemption date.

Partial Redemption

If fewer than all of the Bonds of a series at the time outstanding are to be called for optional redemption, the University shall designate to the Trustee the amount of the Bonds to be redeemed, and the particular Bonds of that series or portions thereof to be redeemed shall be selected randomly, unless otherwise provided in the Indenture, by the Trustee in units of Authorized Denominations. In no event shall such redemption result in less than $100,000 of Bonds of that series remaining outstanding. The University may direct the Trustee to select randomly from among all the Holders and thereafter select randomly the particular Bonds of that series or portions thereof held by the Holders so selected in order to call for redemption as many Bonds of that series or portions thereof from among the fewest number of Holders. Pledged Bonds shall be selected for redemption prior to any other Bonds except Bonds which have been properly tendered for purchase on optional tender dates occurring on or after the redemption date.

Notwithstanding the foregoing, while the Bonds are in Book Entry Form, DTC shall select Bonds for redemption within particular maturities according to its stated procedures. In no event shall the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the minimum Authorized Denomination.

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 30 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.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, 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) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. For further information on DTC, see Appendix V, "THE DEPOSITORY TRUST COMPANY," herein.

THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Loan Agreement requires the University at all times during the Variable Rate Period to maintain with the Trustee a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, computed at the Maximum Rate, for a period of 35 days.

The Bank

The Original Letter of Credit will be issued by Harris N.A. (together with the issuer of any Alternate Letter of Credit, the "Bank"). For information concerning the Bank, see Appendix VII to this Official Statement. The information contained in Appendix VII was furnished by the Bank which is solely responsible for such information.

THE ABILITY OF THE BANK TO HONOR DRAWINGS ON THE LETTER OF CREDIT WILL BE BASED SOLELY ON THE BANK'S GENERAL CREDIT. INFORMATION AS TO THE FINANCIAL CONDITION OF THE BANK IS SET FORTH IN APPENDIX VII HERETO.

The Original Letter of Credit

At the time of issuance of the Series Six-E1 Bonds and the Series Six-E2 Bonds, the University caused the Bank to issue an irrevocable, transferable, direct-pay letter of credit to the Trustee in an original stated amount of $18,334,137.00. The Bank, under the Reimbursement Agreement and upon the occurrence of certain conditions, agreed to issue an amended and restated irrevocable, transferable, direct-pay letter of credit on the issuance date of the Series Six-E3 Bonds with the stated amount being adjusted to equal the outstanding principal amount of the Series Six-E1 Bonds, the Series Six-E2 Bonds and the Series Six-E3 Bonds plus 35 days of interest to accrue thereon assuming a maximum interest rate of 10% per annum on the Bonds during the Variable Rate Period. Following the issuance of such amended and restated letter of credit, the term "Original Letter of Credit" includes such amended and restated letter of credit. The Original Letter of Credit is an irrevocable, unsecured obligation of the Bank, with a stated expiration date of July 7, 2009, unless terminated earlier or extended. So long as the Original Letter of Credit is effective (i.e., prior to the Termination Date, as hereinafter defined), the Trustee will be required to draw under the Original Letter of Credit, in accordance with the terms thereof, amounts sufficient to pay (i) accrued interest on the Bonds on an Interest Payment Date (an "Interest Drawing"), (ii) principal of and accrued interest on the Bonds in respect of any optional redemption (a "Redemption Drawing"), provided that, in the event the date of redemption coincides with an Interest Payment Date, the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) the Purchase Price of Bonds tendered pursuant to the terms of the Indenture for purchase on a Tender Date to the extent such Bonds have not been successfully remarketed or for which the Purchase Price has not been received by the Remarketing Agent or the Tender Agent, as appropriate, by 10:00 A.M., Chicago time, on the Tender Date (a "Liquidity Drawing"), provided that in the event the Tender Date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iv) principal of and accrued interest in respect of Bonds the payment of which has been accelerated pursuant to the Indenture (an "Acceleration Drawing"), and (v) if the Original Letter of Credit has been extended and is in effect on such dates, the principal amounts of the Series Six-E1 Bonds and the Series Six-E3 Bonds outstanding on October 1, 2016 and the principal amounts of the Series Six-E2 Bonds outstanding on October 1, 2025 (each a "Stated Maturity Drawing"); provided, however, none of the foregoing drawings shall be made under the Original Letter of Credit for payment of the principal or Purchase Price of or interest on Corporation Bonds as hereinafter defined.

The Available Amount (as hereinafter defined) of the Original Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the amount of any Interest Drawing, less the amount of the reduction in the Available Amount of the Original Letter of Credit attributable to interest as specified in a certificate of the Trustee (because of a reduction in the outstanding principal amount of Bonds) shall be automatically reinstated immediately upon payment by the Bank of such drawing. After payment by the Bank of a Liquidity Drawing, the Available Amount will be automatically reduced by an amount equal to the Original Purchase Price (as hereinafter defined) of any Bonds (or portions thereof) purchased pursuant to said drawing. Prior to the Conversion Date, in the event of the remarketing of any Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Available Amount under the Letter of Credit will be automatically reinstated upon receipt of the Original Purchase Price thereof by the Trustee, on behalf of the Bank, in an amount equal to the Original Purchase Price of any Pledged Bonds or portions thereof so remarketed. Prior to the Conversion Date, in the event of a repayment of any amount relating to a Liquidity Drawing, the Available Amount under the Letter of Credit shall be automatically reinstated in an amount equal to the amount of the repayment.

The "Original Purchase Price" of Bonds shall mean the principal amount of any Bonds purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bonds paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase. The "Available Amount" of the Original Letter of Credit shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest, Redemption, Liquidity, Acceleration or Stated Maturity Drawings, (ii) less the amount of any reduction in the Available Amount of the Letter of Credit pursuant to a certificate of the Trustee to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above described.

The "Termination Date" of the Original Letter of Credit is defined as the earliest to occur of the close of business of the Bank on: (i) July 7, 2009 (this being the end of the Original Letter of Credit's three year term plus a one year renewal; the Original Letter of Credit shall, however, be renewable annually on the anniversary of its issuance at the University's request and the Bank's sole discretion) or such later date to which such date has been so extended, (ii) the earlier of (A) the date which is fifteen (15) days following the Conversion Date, as such date is specified in a certificate of the Trustee, or (B) the date on which the Bank honors a drawing under the Letter of Credit on or after the Conversion Date; (iii) the date which is twenty (20) days following the receipt by the Bank of a certificate of the Trustee in the form prescribed in the Letter of Credit to the effect that either (a) no Bonds remain outstanding, (b) all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored or (c) an Alternate Letter of Credit has been issued and is in effect in accordance with the Indenture and Loan Agreement; (iv) the date on which an Acceleration Drawing is honored and (v) the date which is fifteen (15) days following receipt by the Trustee of a written notice from the Bank notifying the Trustee that an Event of Default has occurred under the Reimbursement Agreement and that the Bank is terminating the Letter of Credit.

Alternate Letter of Credit

The Indenture and the Loan Agreement provide that during the Variable Rate Period the Bonds will be tendered if the University fails to deliver to the Trustee (i) at least thirty-five (35) days before the last regularly scheduled Interest Payment Date preceding the Termination Date of a Letter of Credit, an irrevocable commitment from a bank to issue an Alternate Letter of Credit and (ii) on such Interest Payment Date an Alternate Letter of Credit and an opinion of counsel for the bank issuing such Alternate Letter of Credit. An Alternate Letter of Credit shall be an irrevocable, direct-pay letter of credit, having a term of at least one year, issued by a commercial bank organized under the laws of the United States or a foreign nation and authorized to do business in the United States, the terms of which are required by the Indenture to be in all material respects the same as the Original Letter of Credit. If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit pursuant to, and meeting the requirements of, the Loan Agreement and in an available amount meeting the requirements specified in the Indenture, and (ii) an opinion of counsel for the bank which is the issuer of the Alternate Letter of Credit to the effect that the Alternate Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and enforceable against the issuer, subject to bankruptcy and similar laws affecting creditors' rights generally, then the Trustee shall accept such Alternate Letter of Credit and upon the date the Trustee is permitted to draw under such Alternate Letter of Credit promptly terminate and surrender the previously held Letter of Credit to the issuer thereof for cancellation.

The effective date of substitution of any Alternate Letter of Credit shall be a Variable Rate Interest Payment Date and shall also be a Mandatory Tender Date; provided that any Bondholder may elect to retain its Bonds by filing a Non-Tender Notice in accordance with the Indenture.

The Reimbursement Agreement

The Original Letter of Credit was issued by the Bank pursuant to a Reimbursement Agreement, dated as of June 1, 2005 (the "Reimbursement Agreement"), between the Bank and the University, under which the University agreed, among other things, to reimburse the Bank for drawings under the Letter of Credit. Pursuant to the Reimbursement Agreement, the University also agreed to pay certain fees for issuance and maintenance of the Original Letter of Credit. The Reimbursement Agreement, and the terms, conditions and agreements contained therein, are solely for the benefit of the Bank and must not be relied upon by the Holders of the Bonds or the Trustee. **The Reimbursement Agreement may be amended by the Bank and the University without the consent of or notice to the Trustee or the Holders of the Bonds.**

Each of the following events constitutes an "Event of Default" under the Reimbursement Agreement:

a) any material representation or warranty made by the University in the Reimbursement Agreement, the Pledge Agreement, as defined in the Reimbursement Agreement, the Original Letter of Credit, the Indenture, the Bonds, the Loan Agreement, the Remarketing Agreement, the Bond Purchase Agreement or the Official Statement (the "Related Documents") or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with this Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect;

b) any *"event of default"* shall have occurred under any of the Related Documents (as defined respectively therein);

c) failure to pay to the Bank any Obligations when and as due under the Reimbursement Agreement;

d) default in the due observance or performance by the University of certain covenants set forth in Article Five of the Reimbursement Agreement;

e) default in the due observance or performance by the University of any other term, covenant or agreement set forth in the Reimbursement Agreement and the continuance of such default for 30 days after the occurrence thereof;

f) any material provision of the Reimbursement Agreement or any of the Related Documents shall cease to be valid and binding, or the University shall contest any such provision, or the University or any agent or trustee on behalf of the University shall deny that it has any or further liability under the Reimbursement Agreement or any of the Related Documents;

g) the University or any subsidiary shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in (h) immediately below;

h) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the University or any subsidiary or any substantial part of its property, or a proceeding described in (g)(v) immediately above shall be instituted against the University or any subsidiary and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 60 or more days;

i) dissolution or termination of the existence of the University or any subsidiary;

j) a default shall occur under any evidence of Indebtedness issued, assumed, or guaranteed by the University or any subsidiary or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness (whether or not such maturity is in fact accelerated) or any such Indebtedness shall not be paid when and as due (whether by lapse of time, acceleration or otherwise);

k) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of $150,000 shall be entered or filed against the University or any of its subsidiaries or against any of their property and remain unvacated, unbonded or unstayed for a period of 30 days;

l) the University or any member of its Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of $50,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of $50,000 (collectively, a *"Material Plan"*) shall be filed under Title IV of ERISA by the University or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the University or any member of its Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or

m) a default shall occur and be continuing under any agreement between the University and the Bank or under any obligation owed by the University to the Bank.

Upon the occurrence and during the continuance of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies under the Reimbursement Agreement or by law provided:

a) by notice to the University, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the University, provided that upon the occurrence of an Event of Default under clauses (g) or (h) above such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

b) give notice of the occurrence of an Event of Default to the Trustee, directing the Trustee to accelerate the Bonds, thereby causing the Letter of Credit to expire 20 days thereafter;

c) pursue any rights and remedies it may have under the Related Documents; or

d) pursue any other action available at law or in equity.

USE OF PROCEEDS

Proceeds of the Series Six-E3 Bonds along with University funds will be used to:

1. refinance on a current refunding basis the Authority's outstanding Series Four-I Bonds issued on behalf of the University (the "Refunded Bonds"), and
2. pay issuance costs.

The Refunded Bonds are outstanding in the principal amount of $2,670,000.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series Six-E3 Bonds together with other moneys are expected to be used as follows:

Sources of Funds:	
Par amount of the Series Six-E3 Bonds	$2,195,000
Transfer from prior debt service reserve	340,500
Transfer from prior bond fund	259,360
University contribution for costs of issuance	16,030
Total Sources	$2,810,890
Uses of Funds:	
Current refunding	$2,749,360
Issuance costs (including Underwriter's discount)	59,930
Rounding Amount	1,600
Total Uses	$2,810,890

In the event issuance costs of the Series Six-E3 Bonds including Underwriter's discount exceed 2% of the proceeds of the Series Six-E3 Bonds, defined as par less original issue discount, such excess shall be paid by the University from other than Series Six-E3 Bond proceeds.

SOURCE OF PAYMENT FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture. During the Variable Rate Period, the Bonds will be secured by the Original Letter of Credit or Alternate Letter of Credit and the Bonds will be payable from drawings under the Letter of Credit. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the University. The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make such payments out of its operating funds or any other moneys legally available. The University covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the University's 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 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 Account of the Authority (see "GENERAL BOND RESERVE ACCOUNT" herein).

ACCOUNTS

Summary

The Indenture provides that the Escrow Agent will receive proceeds from the sale of the Series Six-E3 Bonds allocable to the refunding in an amount sufficient, when added to amounts held by the Series Four-I Trustee available for the purpose and applicable to the Refunded Bonds, to pay the principal of and interest on the Refunded Bonds maturing on October 1, 2006 and the redemption price of the Refunded Bonds on that date.

The Indenture provides for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement and moneys from draws under the Letter of Credit are to be deposited. These accounts include a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. Each account or fund (except the Reserve Account) includes a General Account and a Letter of Credit Account. Amounts received by the Trustee from the University as Loan Repayments, proceeds of remarketing or proceeds from draws under the Letter of Credit are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Account, and 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 or the Purchase Price of the Bonds when due.

Bond Purchase Fund

There shall be deposited to the General Account in the Bond Purchase Fund (a) the remarketing proceeds of Bonds received by the Trustee from the Tender Agent (together with any investment income thereon) into a separate sub-account of the General Account, but not including any moneys received from the Authority or the University and (b) all other moneys (except moneys available pursuant to the Letter of Credit) which are required or directed to be deposited to the Bond Purchase Fund. There shall be deposited to the Letter of Credit Account in the Bond Purchase Fund all moneys drawn by the Trustee pursuant to the Letter of Credit.

Moneys in the Bond Purchase Fund shall be used solely for the payment of the Purchase Price of Bonds upon optional or mandatory tender and shall be disbursed by the Trustee from the Bond Purchase Fund in the following order: (a) amounts in the General Account derived from remarketing of the Bonds and investment income thereon, (b) amounts in the Letter of Credit Account and (c) amounts in the General Account derived from any other sources and investment income thereon. If the funds available under clause (a) in the foregoing sentence for the payment of the Purchase Price of Bonds on any Optional Tender Date or Mandatory Tender Date are not sufficient to pay in full the Purchase Price of such Bonds, the Trustee shall make a drawing under the Letter of Credit in an amount which will be sufficient, together with the funds available under clause (a), to pay the Purchase Price.

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in either the Letter of Credit Account or the General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or the Mandatory Tender Date, authorize the payment of such balance first to the Bank, but only to the extent of amounts due under the Reimbursement Agreement, and then to the University.

Bond and Interest Sinking Fund Account

There shall be deposited into the General Account of the Bond and Interest Sinking Fund Account transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. There shall be deposited to the Letter of Credit Account of the Bond and Interest Sinking Fund Account all moneys drawn by the Trustee under the Letter of Credit to pay interest on any Bond (except Corporation Bonds) on any Interest Payment Date and principal on any Bond (except Corporation Bonds) on the Stated Maturity or acceleration thereof.

Funds for the payment of principal of and interest on the Bonds (other than Corporation Bonds) on a Stated Maturity, acceleration or Interest Payment Date are to be derived from the following sources in the order of priority indicated: (i) amounts in the Letter of Credit Account of the Bond and Interest Sinking Fund Account derived from the Letter of Credit for such purpose; and (ii) amounts in the General Account of the Bond and Interest Sinking Fund Account.

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

While the Bonds bear interest at the Variable Rate, the Reserve Requirement is zero and there shall be no deposit into the Reserve Account prior to the Conversion Date.

Redemption Account

All deposits to the Redemption Account will be made to the General Account unless specified to be deposited in the Letter of Credit Account by the Indenture, the Loan Agreement or the Letter of Credit. There shall be deposited into (a) the Letter of Credit Account of the Redemption Account, all moneys drawn by the Trustee under the Letter of Credit for optional redemption during the Variable Rate Period, and (b) the General Account of the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

Amounts on deposit to the credit of the General Account of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Reserve Account (after the Conversion Date), in the order listed, and, second, for the redemption of outstanding Bonds at the request or direction of the University or for the purchase of outstanding Bonds on the market at the request of the University at prices not exceeding the redemption price on the next available date for redemption or to pay any unpaid obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the General Account of 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.

Funds for the payment of the principal of and premium, if any, on the Bonds upon redemption shall be disbursed by the Trustee in the following order of priority: (i) amounts in the Letter of Credit Account of the Redemption Account derived from the Letter of Credit for such purpose, and (ii) amounts in the General Account of the Redemption Account.

Authorized Investments

Moneys on deposit to the credit of the Construction Account and the Bond and Interest Sinking Fund 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 in the rating category of "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 or in repurchase agreements collateralized by United States government obligations and certain of its agencies; constant dollar value money market funds that invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies and which are rated in the highest rating category by a national rating agency; 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. The Indenture sets forth further restrictions as to type and maturity of investments.

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.**

OTHER FINANCINGS

The University regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The University does not anticipate financing any other such projects with a material amount of debt within the next six months.

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 of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Marianne T. Remedios has been the Executive Director of the Authority since 2000.

Elaine J. Yungerberg has been Assistant Executive Director of the Authority since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $800 million. The Authority has had 157 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $655 million is outstanding as of August 1, 2006. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues 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.

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 and to refinance other debt for capital improvements.

The operations of the Authority are 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 Sector Advisors, of Saint Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series Six-E3 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 Series Six-E3 Bonds.

UNDERWRITING

The Series Six-E3 Bonds are being purchased by RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, as Underwriter. The Underwriter, the Authority and the University will enter into a Bond Purchase Agreement under which the Underwriter will purchase the Series Six-E3 Bonds at a purchase price of $2,187,317.50.

The Underwriter intends to offer the Series Six-E3 Bonds to the public initially at the offering price 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 Series Six-E3 Bonds to the public. The Underwriter may offer and sell the Series Six-E3 Bonds to certain dealers (including dealers depositing the Series Six-E3 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 hereof, Moody's Investors Service ("Moody's") has assigned a long-term rating of "Aa3" and a short-term rating of "VMIG1" to the Series Six-E3 Bonds, conditioned on the issuance of the Letter of Credit by the Bank. Moody's has based the ratings solely on the credit strength of the Bank. The ratings reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that the rating will continue for any given period of time or that it 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 may have an adverse effect on the market price of the Series Six-E3 Bonds.

LITIGATION

The Authority and the University are unaware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Series Six-E3 Bonds or materially affect the ability of the University to pay the principal of or interest on the Series Six-E3 Bonds as the same become due.

LEGALITY

The Series Six-E3 Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, 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, for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota, and for the Bank by Chapman and Cutler LLP, Chicago, Illinois.

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 Series Six-E3 Bonds in order that interest on the Series Six-E3 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 Series Six-E3 Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Series Six-E3 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 by the Series Six-E3 Bonds. Noncompliance with such requirements may cause interest on the Series Six-E3 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 the 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.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings: interest on the Series Six-E3 Bonds is not includable in gross income for federal income tax purposes or in the taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Series Six-E3 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.

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 Series Six-E3 Bonds.

In addition, interest on the Series Six-E3 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 Series Six-E3 Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Series Six-E3 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 Series Six-E3 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 Series Six-E3 Bonds, including without limitation the calculations of alternative minimum tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Series Six-E3 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.

(This page was left blank intentionally.)

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 of Education, Graduate School of Management, Graduate School of Liberal Studies, 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. The University is affiliated with the United Methodist Church. The University does not unlawfully discriminate on the basis of race, creed, color, national origin, gender, age, or physical disability in the admission or treatment of students, the operation of its educational programs and activities or in the employment of faculty or staff.

Among comprehensive universities, *U.S. News and World Report* ranked Hamline first in Minnesota, 9th out of 142 universities in the Midwest and among the nation's leading universities in its 2006 report. The School of Law's Alternative Dispute Resolution program is ranked fifth in the nation by *U.S. News and World Report.* The University has produced one Truman Scholar, five Rhodes and 35 Fulbright Scholars.

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 of Education 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.

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 49 Trustees, including 16 Life 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.

BOARD OF TRUSTEES 2006-07

Trustees (continued):

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

Management

President

Dr. Linda N. Hanson was elected in 2005 as the 19th President of Hamline University. Prior to her election, Dr. Hanson was the President of the College of Santa Fe in New Mexico, a position she held since June 2000. Prior to that, Dr. Hanson was Vice President for University Relations and Assistant Provost for Executive Education at Seattle University. She also served as President of the Seattle University Foundation. Prior to Seattle University she served as President of the Independent Colleges of Washington and as the Vice President for Development at Texas A&M University at Corpus Christi.

Dr. Hanson is a graduate of Seattle University, with a doctor of education degree in educational leadership and a master's degree in educational administration. She earned a bachelor's degree in English and speech at Southern Nazarene University in Bethany, Oklahoma. In addition to her earned degrees, Dr. Hanson completed the Institute for Educational Management at Harvard University in 1995 and attended the Harvard Seminar for New Presidents in July 2000.

Vice President for Finance and Treasurer

Douglas P. Anderson was named as the University's Vice President for Finance and Treasurer in August 2002. Mr. Anderson is also the Assistant Treasurer of the Board of Trustees of Hamline University. In April of 2004, he assumed additional responsibility for Human Resources, Information Technology Services, and the Facilities Services Group.

Before coming to Hamline, Mr. Anderson was the owner of Alta Business Consulting and spent 14 years in financial positions for human service organizations, including serving as Vice President and CFO for Lutheran Social Services and President of Mains'l Services, Inc. Mr. Anderson is a CPA and holds a Bachelor of Accounting Degree from the University of Minnesota-Duluth and a Masters in Business Administration from the University of Minnesota Carlson School of Management.

Vice President for Academic and Student Affairs

In May of 2006, Dr. David Stern was named as Vice President for Academic and Student Affairs for the University. Dr. Stern provides leadership to the University regarding academic policies and is responsible for the undergraduate and graduate student experience. Dr. Stern was the Dean of the College of Arts & Sciences at the University of Toledo since 2000. Prior to his Dean position, he was the Chair of the University of Toledo's Philosophy Department from 1995-1999. Dr. Stern has taught Philosophy not only at the University of Toledo but also at Louisiana State University and the University of California San Diego between 1985 and 1999. Dr. Stern received his B.A. from Louisiana State University in 1977 and his M.A. and Ph. D. from University of California San Diego.

Vice President for University Relations

Dan Loritz serves as the Vice President for University Relations. Mr. Loritz provides University-wide leadership in the areas of alumni relations, church relations, community relations, governmental relations, media relations, communications, marketing, 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.

Campus/Physical Plant

The University is located on a 60-acre site in Saint Paul, Minnesota, approximately equidistant from the downtown areas of Saint Paul and Minneapolis. Fifteen principal academic and administrative buildings, six residence halls and one student apartment building comprise the campus physical plant. The physical plant and contents are insured at replacement values of approximately $196,000,000.

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

The residence halls and apartments on campus house approximately 868 undergraduate and law students. Approximately 39% of undergraduates and 8% of law students live on campus. The University has an office to assist students with off-campus housing.

Libraries

The Bush Memorial Library houses in excess of 400,000 books and periodicals. The library also maintains a variety of non-print media, including current electronic databases and reference sources. The library belongs to an eight library network which provides rapid access to a collection of more than 1.5 million volumes.

The School of Law library houses more than 265,000 volumes, including microfiche and over 900 current periodicals. It provides access to a variety of legal and non-legal databases, including LexisNexis, Westlaw, Congressional Universe, various indexes and the Internet. The library is a United States Depository library.

Academic Information

<u>College of Liberal Arts</u>

Hamline University ranks as a "Liberal Arts College I" institution, according to the Carnegie Council on Policy Studies in Higher Education. The University has a faculty to student ratio of 14 to 1.

The University offers the Bachelor of Arts degree in the College of Liberal Arts. During the 2004-05 academic year, the University awarded 432 Bachelor of Arts degrees.

The College of Liberal Arts follows a 4-1-4 academic calendar.

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

In addition to various on-campus programs, the University offers international study programs and programs in New York, Washington, D.C. and at the United Nations.

<u>School of Law</u>

The present Hamline University School of Law was founded in 1972 as the Midwestern School of Law, and was affiliated with Hamline University in 1976. During the 2004-05 academic year, the University awarded 193 Juris Doctorate degrees and three L.L.M. degrees.

The School of Law curriculum is designed to be completed in six academic semesters. It also offers flexible scheduling to accommodate the needs of working adult students.

The Graduate Schools

The Graduate School was founded in 1980 as the Division of Graduate and Continuing Studies within the College of Liberal Arts. It became an independent unit of the University in fall 1989. In 1997, the Graduate School of Management and the Graduate School of Education became additional independent units. In 2004, the Graduate Liberal Studies Program became the Graduate School of Liberal Studies.

The three graduate schools offer six Master of Arts degrees and two doctoral degrees. During the 2004-05 academic year, 313 Masters degrees and nine Doctorate degrees were awarded.

Courses in the graduate schools and programs are geared toward adult working professionals.

Student Enrollment

The University's actual enrollments for academic years 2001-02 through 2005-06 are set forth below:

	Undergraduate		Graduate		School of Law		Total University	
	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count
2001-02	1,794	1,873	997	1,702	508	548	3,299	4,123
2002-03	1,835	1,918	1,121	1,867	527	583	3,483	4,368
2003-04	1,899	1,980	1,140	1,827	585	662	3,624	4,469
2004-05	1,937	1,997	1,151	1,825	619	722	3,707	4,544
2005-06	1,994	2,057	1,125	1,753	645	759	3,764	4,569

Source: Hamline University.

Undergraduate Applications, Admissions and Enrollments

	2001-02	2002-03	2003-04	2004-05	2005-06
Applications	1,460	1,619	1,813	1,777	1,766
Offers of Admission	1,159	1,273	1,348	1,390	1,417
Percentage Admitted	79%	79%	74%	78%	80%
Enrolled	421	417	456	447	461
Percentage Admitted Enrolled	36%	33%	34%	32%	33%
Median ACT Scores of Enrolled First-Year Students	24	24	24	24	24
Median SAT Scores of Enrolled First-Year Students Verbal / Math	585/564	584/568	598/589	584/566	620/590

Geographic Distribution of Fall 2005 Undergraduate Student Body

State	Number of Students
Minnesota	1,592
Wisconsin	121
Iowa	13
South Dakota	17
North Dakota	11
Oregon	13
International	56
Other States and Unreported	234
Total	2,057

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
1999	421	82%	72%	69%	65%	67%
2000	423	81	66	63		
2001	421	83	72	67		
2002	417	84	75	71		
2003	455	79	71			
2004	447	83				
2005	461					

Law School Applications, Admissions and Enrollment

	2001-02	2002-03	2003-04	2004-05	2005-06
Applications	981	1,098	1,305	1,306	1,610
Offers of Admission	635	630	676	568	688
Percentage Admitted	65%	59%	52%	43%	43%
Enrolled	519	230	261	233	226
Percentage Enrolled	34%	37%	39%	41%	33%
Average LSAT Score	151	152	153	156	155

Geographic Distribution of Fall 2005 Law School First Year Class

State	Number of Students
Minnesota	165
Wisconsin	31
Iowa	5
Other States	23
International	2
Total	226

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* 2nd Year	3rd Year	Percent of Graduates in Third Yr. to First Yr. Class
1999	184	93%	89%	88%
2000	183	93	89	89
2001	222	91	90	89
2002	256	94	91	
2003	261	95		
2004	233	98		
2005	226			

* *May include transfer students.*

Faculty and Staff – 2005-06

Undergraduate Full-Time Faculty	111
Undergraduate Part-Time Faculty	75
Graduate Full-Time Faculty	39
Graduate Part-Time Faculty	104
Law School Full-Time Faculty	38
Law School Part-Time Faculty	41
Administrative Full-Time Staff	214
Administrative Part-Time Staff	83
Total Faculty and Staff	705

Faculty by Rank and Average Salary – 2004-05

	Total Number	Average Base Salary	Number Tenured
Professor	62	$71,824	55
Associate Professor	53	$61,785	29
Assistant Professor	51	$46,156	0
Instructor	14	$48,176	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.

	2001-02	2002-03	2003-04	2004-05	2005-06
Tuition	$17,414	$18,970	$20,582	$21,820	$23,130
Room & Board	5,675	5,971	6,220	6,536	6,712
Student Fees	225	225	225	225	403
Total	$23,314	$25,166	$27,027	$28,581	$30,245

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

School of Law

The following table lists the annual tuition charged to a full-time student enrolled in the School of Law.

	2001-02	2002-03	2003-04	2004-05	2004-05
Law School Tuition	$19,090	$20,620	$22,682	$23,820	$25,246

Graduate Schools of Education and Management

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

	2001-02	2002-03	2003-04	2004-05	2005-06
Graduate School					
Master's					
Education	$273	$283	$293	$300	$309
Management	$289	$318	$350	$361	$376
Doctoral					
Education	$432	$448	$465	$480	$504
Management	$415	$458	$504	$520	$536

The University Board of Trustees recently approved tuition levels for the 2006-07 academic year. They are:

- Undergraduate - $24,520
- School of Law - $26,760
- Graduate School Education - $319 per master's credit and $529 per doctoral level credit
- Graduate School Management - $391 per master's credit and $568 per doctoral level credit.

Room and board charges will average $7,255 for the 2006-07 academic year.

2006-2007 Undergraduate Rate Comparison of Minnesota Private Colleges
(Ranked by Comprehensive Charges)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges
Carleton College	$34,272	$8,592	$42,864
Macalester College	31,038	7,982	39,020
St. Olaf College	28,200	7,400	35,600
Gustavus Adolphus College	26,700	6,400	33,100
University of St. Thomas	24,808	7,410	32,218
Hamline University	**25,040**	**7,072**	**32,112**
Minneapolis College of Art & Design	26,110	6,000	32,110
College of Saint Benedict	24,924	6,898	31,822
Saint John's University	24,924	6,496	31,420
College of St. Catherine	24,388	6,432	30,820
College of St. Scholastica	23,574	6,514	30,088
Augsburg College	23,393	6,604	29,997
Concordia University, Saint Paul	22,378	6,596	28,974
Bethel College	22,700	7,140	29,840
Saint Mary's University of Minnesota	20,719	5,920	26,639
Concordia College, Moorhead	20,980	5,090	26,070
Bethany Lutheran College	16,508	5,278	21,786
Average	$24,744	$6,696	$31,440

These are "standard," full-time, academic year charges for new entering students. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students.

NOTE: Comprehensive charges are reduced for many students through financial assistance. Approximately 90 percent of private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding and other factors. Typical assistance provided to students includes Federal and State grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.

Source: The Minnesota Private College Research Foundation

Financial Aid

Approximately 80.0% 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.

	2001-02	2002-03	2003-04	2004-05	Forecasted 2005-06
Federal:					
Pell Grants	$ 1,006,237	$ 1,217,014	$ 1,297,777	$ 1,402,243	$ 1,240,644
SEO Grants	492,049	493,487	504,406	442,292	452,899
Stafford Loans:					
Subsidized	8,396,046	9,803,177	11,277,319	13,066,048	13,470,270
Unsubsidized	9,186,148	10,752,394	12,378,983	14,018,762	15,366,309
Work Study	383,603	564,760	440,543	375,401	417,039
Perkins Loans	1,614,361	1,819,269	2,197,838	2,944,026	1,487,668
Minnesota:					
Grants	2,662,216	2,861,071	2,490,017	2,446,385	2,410,076
SELF Loans	1,062,958	854,290	413,657	219,302	165,528
Work Study	160,040	--	160,000	215,000	223,394
University Grants	11,646,109	13,997,136	17,608,245	17,763,298	19,229,175
Other	603,964	375,635	415,763	640,446	411,759
Total Financial Aid	$37,213,731	$42,738,233	$49,184,548	$53,533,203	$54,874,761
Number of Students Receiving Financial Aid	2,991	3,140	3,218	3,534	3,642

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. The University annually contributes 10% of eligible employees' salaries. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. Contributions by the University to the retirement plan was $2,260,898 for the fiscal year ended June 30, 2005.

Capital Campaign

The University completed a $150 million capital campaign in June 2005 and raised $156 million, exceeding its goal. Currently the University does not have an active capital campaign.

Gift and Grants

Gifts and grants received by net asset classification for the past five Fiscal Years are as follows:

Year ended June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Gifts and Grants
2005	$1,844,224	$5,840,443	$ 2,177,215	$ 9,861,882
2004	$1,526,857	$6,241,234	$ 5,370,353	$14,138,444
2003	$1,412,554	$8,672,076*	$(2,756,330)*	$ 7,328,300
2002	$1,986,266	$4,239,183	$ 5,548,249	$11,773,698
2001	$1,875,340	$5,349,880	$ 6,372,828	$13,598,048

* *The changes in 2003 Temporarily Restricted and Permanently Restricted net assets reflect in part a redesignation at a donor's request of $4 million of Permanently Restricted assets to Temporarily Restricted assets.*

Endowment Funds

Following is a five-year history of the University's funds traditionally considered the University's endowment, as well as assets of split-interest agreements and unrestricted net assets as reported in the annual financial statement of the University for each year.

	2001	2002	2003	2004	2005
Permanent Endowment	$31,893,431	$37,195,430	$34,559,005	$41,267,915	$43,470,855
Funds Functioning as Endowment	$19,892,273	$ 7,927,313	$ 9,043,626	$13,632,426	$15,697,906
Subtotal	$51,785,704	$45,122,743	$43,602,631	$54,900,341	$59,168,761
Split-Interest Agreements	$ 3,146,038	$ 3,216,267	$ 3,437,987	$ 4,302,747	$ 4,336,354
Unrestricted Funds	$ 790,202	$ 1,112,140	$ 3,273,335	$11,497,481	$ 3,752,392
Total Investments	$55,721,944	$49,451,150	$50,313,953	$70,700,569	$67,257,507

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 following table sets forth the University's statements for unrestricted activities for the fiscal years ended June 30, 2001 through 2005. This table should be read in conjunction with the financial statements found in Appendix VI.

Appendix VI sets forth the audited financial statements of the University for the fiscal years ended June 30, 2005 and 2004. The Financial Statements are audited annually and prepared in accordance with generally accepted accounting principles (GAAP). The auditor has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Statements of Activities
Unrestricted Funds
Years Ended June 30, 2001-2005

CHANGES IN UNRESTRICTED NET ASSETS:	2001	2002	2003	2004	2005
Revenue:					
Tuition and Fees	$ 44,749,904	$ 48,686,876	$ 54,856,776	$ 63,194,702	$ 67,830,731
Less:					
Unfunded Student Aid	10,097,669	10,322,655	12,717,478	16,040,178	16,828,601
Funded Student Aid	1,777,083	2,416,967	2,192,221	2,122,322	2,072,530
Net Student Tuition and Fees	32,875,152	35,947,254	39,947,077	45,032,202	48,929,600
Government Grants	198,669	194,871	208,374	182,666	227,074
Contributions	1,676,671	1,791,395	1,412,554	1,344,191	1,617,150
Investment Income, Net	1,117,220	618,000	598,944	674,446	948,548
Realized and Unrealized Gains (Losses) on Investments	(3,756,270)	(6,126,010)	(1,795,723)	574,276	593,437
Sale and Services of Educational Activities	276,444	330,100	579,062	553,283	629,202
Other Sources	693,493	734,570	735,934	650,757	684,875
Auxiliary Enterprises	6,139,414	6,644,362	6,983,496	7,323,015	7,580,255
Net Assets Released from Restrictions	6,272,482	6,909,933	7,451,420	6,387,130	6,906,586
Total Revenue	45,493,275	47,044,475	56,121,138	62,721,966	68,116,727
Expenses:					
Instruction	18,829,733	19,833,346	21,062,886	22,958,845	25,836,723
Academic Support	8,603,116	9,085,703	9,601,035	10,182,166	11,326,523
Research	466,314	528,999	537,434	215,085	231,923
Public Service	870,852	678,715	614,547	957,814	701,462
Student Services	6,971,563	7,663,279	8,123,351	9,317,275	10,345,069
Institutional Support	7,910,332	9,179,178	9,984,048	10,341,795	10,965,225
Auxiliary Enterprises	7,036,066	7,066,915	7,426,052	8,016,839	8,536,953
Total Expenses	50,687,976	54,036,135	57,349,353	61,989,819	67,943,878
CHANGE IN OPERATING ASSETS	(5,194,701)	(6,991,660)	(1,228,215)	732,147	172,849
Investment Income in Excess of Spending Rate	-	-	-	4,857,699	929,711
Facility Net Assets Released from Restrictions	-	-	-	95,406	7,772,446
Board Designated Unrestricted Spending	-	-	-	(1,364)	(84,548)
CHANGE IN NET ASSETS	(5,194,701)	(6,991,660)	(1,228,215)	5,683,888	8,790,458
Net Assets - Beginning of Year	56,585,046	51,390,345	44,398,685	43,170,470	48,854,358
NET ASSETS - END OF YEAR	$ 51,390,345	$ 44,398,685	$ 43,170,470	$ 48,854,358	$ 57,644,816

Source: Audited Financial Statements of the University.

Line of Credit

U.S. Bank National Association provides a $4,000,000 revolving line of credit to the University for short-term borrowing. As of August 9, 2006, there was no balance outstanding on the line of credit. The line of credit expires on January 31, 2007, unless renewed.

Long-Term Debt of the University

The University's long-term debt outstanding as of August 9, 2006, adjusted to include the Series Six-E3 Bonds and exclude the Refunded Bonds, is as follows:

1. Hamline University Dormitory and Auxiliary Facilities Bonds of 1969, Series C, bearing interest at 3%. Certain residence halls and land are pledged as collateral. $210,000 is outstanding.

2. $7,750,000 MHEFA Revenue Bonds, Series Five-B, dated September 1, 1999, bearing interest at rates from 5.00% to 6.00%. $7,135,000 is outstanding.

3. $184,039 commercial note dated May 2002, bearing interest at 3.9%. $28,574 is outstanding.

4. $1,000,000 MHEFA Bonds, Series Five-O, dated July 17, 2002, bearing interest at 5.01%. $468,287 is outstanding.

5. $9,580,000 MHEFA Variable Rate Demand Revenue Bonds, Series Six-E1, dated June 30, 2005. $9,230,000 is outstanding.

6. $8,580,000 MHEFA Variable Rate Demand Revenue Bonds, Series Six-E2, dated June 30, 2005. $8,580,000 is outstanding.

7. $2,195,000 MHEFA Variable Rate Demand Revenue Bonds, Series Six-E3, dated August 24, 2006. $2,195,000 is outstanding.

(This page was left blank intentionally.)

PROPOSED FORM OF LEGAL OPINION

LAW OFFICES

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.

SUITE 700
302 WEST SUPERIOR STREET
DULUTH, MINNESOTA 55802-1863
TELEPHONE (218)722-0861
FAX [218]725=6800
www.fryberger.com

$2,195,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS, SERIES SIX-E3
(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) Variable Rate Demand Revenue Bonds, Series Six-E3 (Trustees of the Hamline University of Minnesota), in the aggregate principal amount of $2,195,000 (the "Bonds"), dated August 24, 2006, and maturing on October 1, 2016.

The Bonds are issued for the purpose of funding a loan from the Authority to the Trustees of the Hamline University of Minnesota (the "University"), a Minnesota nonprofit corporation, located in Saint Paul, Minnesota, in order to refinance on a current refunding basis the outstanding series of bonds namely, the Authority's Revenue Bonds, Series Four-I (Trustees of the Hamline University of Minnesota), dated September 1, 1996, as further described in the Loan Agreement. 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 Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of June 1, 2005, 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, 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), all without examining the records of the University or original title records or abstracts of title. We have also relied upon the opinion of Chapman and Cutler LLP, counsel to Harris N.A. (the "Bank"), as to the Letter of Credit having been duly executed and delivered and being a valid and binding obligation of the Bank.

Except as set forth in our opinion to RBC Capital Markets dated the date hereof, 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, and we express no opinion relating thereto (except to the extent, if any, stated 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 valid and binding limited obligations of the Authority payable solely from the proceeds of periodic draws under the Letter of Credit issued by the Bank and are further 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, as assignee, under the Loan Agreement.

4. Assuming compliance with certain covenants in the Loan Agreement and Indenture, under existing laws, regulations, rulings and decisions in effect on the date hereof, 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. 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, however, 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.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Letter of Credit, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and receivership proceedings and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in accordance with principles of equity.

Dated: August 24, 2006

Respectfully submitted,

(This page was left blank intentionally.)

DEFINITION OF CERTAIN TERMS

Act: 136A.25 through and including 136A.42, Minnesota Statutes, as amended.

Advance Refunding Portion of the Prior Bonds: That portion of the Series Four-I Bonds which were allocated to (i) the refunding of the Series Three-K Bonds and (ii) the financing of the Series Four-I Project, maturing on the dates and in the amounts set forth in the Indenture and which remain outstanding.

Alternate Letter of Credit: An irrevocable direct-pay letter of credit delivered to the Trustee in accordance with the Loan Agreement and the Indenture to replace the Letter of Credit then in existence.

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Denominations: (a) $100,000 and any integral multiple of $5,000 in excess thereof during the Variable Rate Period, and (b) $5,000 and any integral multiple thereof during the Fixed Rate Period.

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

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described in Section 8.05 thereof.

Bank: Harris N.A., as the issuer of the Original Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the initial Reimbursement Agreement; upon the issuance of an Alternate Letter of Credit, "Bank" shall mean the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the applicable Reimbursement Agreement.

Beneficial Owner: With respect to any Authorized Denomination of a Bond in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf, directly or indirectly, such authorized denomination of Bond is held by the Depository pursuant to the Book-Entry System.

Board of Trustees: The Board of Trustees of the University, and includes an Executive Committee authorized to act for such Board.

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

Bond Closing: With respect to each series of the Bonds, the original issuance, sale and delivery of such series of the Bonds.

Bond Purchase Agreement(s): The Bond Purchase Agreement(s) among the Authority, the Underwriter and the University regarding the Series Six-E1 Bonds, the Series Six-E2 Bonds and the Series Six-E3 Bonds, as applicable.

Bond Purchase Fund: The fund created in the Indenture, including the General Account and the Letter of Credit Account into which the Authority, the University or the Trustee shall deposit certain moneys for the payment of the Purchase Price of the Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on June 15, 2005, authorizing the Series Six-E Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to each series of the Series Six-E Bonds, (a) the period from the Issue Date of the applicable series of the Bonds to the close of business on the next succeeding October 1 and (b) each succeeding 12-month period ending at the close of business on the anniversary thereof of each year in which the outstanding Six-E Bonds, if paid at their Stated Maturity dates, will be outstanding.

Bonds: Collectively, the Series Six-E1 Bonds, the Series Six-E2 Bonds and the Series Six-E3 Bonds.

Book-Entry Form: All Bonds, if such Bonds are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the University, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates.

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its participants.

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

Business Day: (i) During the Variable Rate Period, any day other than a Saturday, a Sunday, or a day on which banking institutions located in the City of Saint Paul, Minnesota, the City of New York, New York, the City of Chicago, Illinois, or in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal offices of the Remarketing Agent or of the Bank through which the Letter of Credit is issued (other than the issuer of the Original Letter of Credit) are located are required or authorized by law to remain closed or other than a day on which the New York Stock Exchange is closed, and (ii) during the Fixed Rate Period, any day other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are required or authorized by law to remain closed.

Computation Date: The date on which the Fixed Rate is to be determined in the case of conversion to Fixed Rate, which shall be not less than 15 days prior to the Proposed Conversion Date.

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.

Conversion Date: The date as of which the interest rate on the Bonds converts from a Variable Rate to a Fixed Rate as such date is established pursuant to the Indenture.

Corporation Bond: Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by, the University or the Authority or the Trustee or an agent of the Trustee for the account of the University or the Authority or (ii) with respect to which the University or the Authority has notified the Trustee, or which the Trustee actually knows, was purchased by another person for the account of the University or the

Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the University or the Authority, including, but not limited to, Pledged Bonds.

Current Refunding Portion of the Prior Bonds or Refunding Bonds: That portion of the Series Four-I Bonds which were allocated to refunding of the Series Three-A Bonds, maturing on the dates and in the amounts set forth in the Indenture and which remain outstanding.

Date of Taxability: The date as of which interest on the Bonds shall be determined to be includable in gross income pursuant to a Determination of Taxability.

Depository or *DTC*: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, University and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

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 interest on the Bonds is includable in the gross income of the recipient under Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as 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.

Escrow Account: The account created under each of the Escrow Agreements.

Escrow Agreement(s): With respect to the Advance Refunding Portion of the Prior Bonds and the Current Refunding Portion of the Prior Bonds, the Escrow Agreement dated as of the Issue Date for the applicable series of the Bonds, among Wells Fargo Bank, National Association, as Escrow Agent, the Series Four-I Trustee, and the Trustee, the Authority and the University.

Event of Default: An Event of Default described in the Indenture, Loan Agreement, or the Reimbursement Agreement and summarized, respectively, in Appendix IV to this Official Statement in the sections entitled "THE INDENTURE - Events of Default," "THE LOAN AGREEMENT - Events of Default," and in the body of this Official Statement in the section entitled "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

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

Fixed Rate or *Fixed Rates*: The Fixed Rates established in accordance with the Indenture at the Conversion Date for the Bonds.

Fixed Rate Interest Payment Date: The first April 1 or October 1 occurring at least ninety (90) days after the Conversion Date, and each April 1 or October 1 thereafter prior to the last Maturity of any Bonds.

General Account: When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

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 of a Holder of Bonds of such Series, the terms shall mean the Beneficial Owner.

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, N.A., Minneapolis, Minnesota, as Trustee, dated as of June 1, 2005, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

Interest Accrual Period or *Interest Period*: (a) with respect to a Weekly Period, a period commencing with the first Business Day of each calendar month during such Weekly Period (or the first day of such Weekly Period, if such day is not the first Business Day of a month) to and including the earlier of the day preceding the first Business Day of the next calendar month and the last day of such Weekly Period and (b) with respect to the Fixed Rate Period, a period commencing with the first day of the Fixed Rate Period to and including the last day preceding the first Fixed Rate Interest Payment Date, and thereafter a period commencing with each Interest Payment Date to and including the last day preceding the next Interest Payment Date; provided that the Interest Accrual Period with respect to a Mandatory Tender Date which is a Variable Rate Interest Payment Date described in clause (b) of the definition thereof shall commence on the first day of the immediately preceding Interest Accrual Period and shall end on the day preceding such Variable Rate Interest Payment Date and the next Interest Accrual Period shall commence on such Variable Rate Interest Payment Date.

Interest Payment Date: On and prior to the Conversion Date, each Variable Rate Interest Payment Date and after the Conversion Date, each Fixed Rate Interest Payment Date.

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

Independent Counsel: An Independent attorney duly admitted to practice law before the highest court of any state.

Issue Date: With respect to each series of the Bonds, the date on which such series of the Bonds are delivered to the original purchasers thereof upon original issuance.

Letter of Credit: The Original Letter of Credit and any replacement, extension or renewal thereof, or, upon delivery to the Trustee of any Alternate Letter of Credit, "Letter of Credit" shall mean such Alternate Letter of Credit.

Letter of Credit Account: When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

Letter of Credit Obligations: All fees relating to the Letter of Credit, any and all obligations of the University to reimburse the Bank for any drawings under the Letter of Credit, whether for the amount of such drawing or interest thereon, and all other obligations of the University to the Bank arising under or in relation to the Reimbursement Agreement, all whether now existing or hereafter arising and howsoever evidenced.

Liquidity Advance: Each Liquidity Drawing made under the Letter of Credit, if the conditions precedent contained in Section 3.2 of the Reimbursement Agreement are satisfied at the time of payment by the Bank of any Liquidity Drawing.

Liquidity Drawing: A drawing under the Letter of Credit resulting from the presentation of a certificate in the form of Exhibit E to the Letter of Credit.

Loan Agreement: The Loan Agreement between the Authority and the University, dated as of June 1, 2005, as from time to time amended or supplemented.

Loan Repayments: The payments required to be made by the University to the Trustee (or directly to the Bank while a Letter of Credit is in effect) pursuant to the Loan Agreement.

Mandatory Tender Date: The meaning assigned thereto in "THE BONDS – Optional and Mandatory Tender – Mandatory Tender," herein.

Maturity: When used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as provided therein or in the Indenture, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Maximum Rate: The maximum rate, 10% per annum, that may be borne by the Bonds before the Conversion Date.

Moody's: Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

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.

Obligations: The Liquidity Advances, fees relating to the Letter of Credit, any and all obligations of the University to reimburse the Bank for any drawings under the Letter of Credit, and all other obligations of the University to the Bank arising under or in relation to the Reimbursement Agreement.

Optional Tender Date: The meaning assigned thereto in "THE BONDS – Optional and Mandatory Tender – Optional Tender," herein.

Original Letter of Credit: The irrevocable, direct-pay letter of credit delivered by the Bank to the Trustee on the Issue Date of the Series Six-E1 Bonds and the Series Six-E2 Bonds in accordance with the Loan Agreement and amended and restated irrevocable, direct-pay letter of credit delivered by the Bank to the Trustee on the Issue Date of the Series Six-E3 Bonds in accordance with the Loan Agreement.

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) mortgages, liens, and any easements contemplated and described therein, and security interests granted to secure debt incurred as permitted by financial covenants then binding on the University and entered into in relation to the Bonds, whether such covenants are expressed in a Reimbursement Agreement or the Loan Agreement, and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Pledge Agreement: The Pledge and Security Agreement, dated as of June 1, 2005, among the University, the Trustee, and the Bank, including any amendments thereto, and any other similar written agreement among the University, the Bank and the Trustee.

Pledged Bonds: (i) Bonds registered in the name of the University, held by the Trustee and pledged to the Bank pursuant to the Pledge Agreement, or (ii) with respect to any Bond registered in the name of Depository Trust Company, New York, the principal portion thereof the Beneficial Owner of which is the University subject to a security interest and pledge granted in favor of the Bank pursuant to the Pledge Agreement.

Prior Bonds: The Series Four-I Bonds.

Prior Bonds Project: The Series Four-I Project, the Series Three-A Project, and the Series Three-K Project.

Prior Bonds Reserve Account: The Series Four-I Reserve Account.

Project: (a) The renovations, improvements and equipping of the Bush Memorial Library (including plaza repairs and a chiller replacement), the Robbins Science Center, the Drew Fine Arts Center, the Ceramics Studio Building, Sorin Hall and other facilities on the Institution's main campus (the "Improvements") and (b) the acquisition of, and renovation, improvement and equipping to, the President's residence and event center (the "Acquisition"), to be owned and operated by the University and located at 1027 Summit Avenue, Saint Paul, Minnesota. The Improvements are all owned and operated by the University and located on its main campus, the principal street address of which is 1536 Hewitt Avenue, Saint Paul, Minnesota (the Improvements and the Acquisition are collectively referred to as the "Project").

Project Buildings: The facilities acquired, improved or constructed with proceeds of the Bonds, including investment earnings and any other building acquired, constructed or improved with the proceeds of the Prior Bonds, or any bonds refunded by the Prior Bonds, and the Term Loan, including investment earnings.

Project Costs: Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project and for other purposes as provided in the Indenture.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, the Prior Bonds, or any bonds refunded by the Prior Bonds, and the Term Loan, including investment earnings.

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

Project Site: The land on which any of the Project Buildings are or will be located or otherwise improved or to be improved as part of the Project, the Prior Bonds Project or the Term Loan Project, described in Exhibit A to the Loan Agreement, subject to any minor adjustments or modifications to the legal description in Exhibit A to the Loan Agreement provided in writing to the Authority, the Bank and the Trustee, provided such minor adjustments or modifications will not have an adverse material affect on the operation of the Project.

Proposed Conversion Date: The date on which the interest on the Bonds is to be converted to a Fixed Rate, as specified in the notice given by the University of its election to convert the interest rate on the Bonds to a Fixed Rate.

Purchase Price: When used with respect to the purchase of a Bond or the remarketing of a Bond on a Tender Date pursuant to the Indenture, an amount equal to the principal amount of such Bond to be so purchased or remarketed plus interest accrued and unpaid to, but not including, the applicable Tender Date; provided that, if such Tender Date is an Interest Payment Date for which moneys are available for the payment of such interest, accrued interest will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner.

Rating Agency: Moody's Investors Service, if the Bonds are then rated by Moody's and Standard & Poor's, if the Bonds are then rated by Standard & Poor's.

Rating Category: One of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical or other modifier.

Record Date: (i) with respect to each Variable Rate Interest Payment Date for Bonds, the Business Day next preceding such Variable Rate Interest Payment Date, and (ii) with respect to each Fixed Rate Interest Payment Date, the 15th day of the calendar month next preceding such Fixed Rate Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account: The Redemption Account created under the Indenture for deposit of moneys drawn by the Trustee under the Letter of Credit for redemption of Bonds and deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to make up deficiencies in the Bond and Interest Sinking Fund Account, Bond Purchase Fund and Reserve Account, in that order; and (ii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation, or to pay any unpaid Letter of Credit Obligations. Moneys in the Redemption Account may be used in the Trustee's discretion 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.

Reimbursement Agreement: The Reimbursement Agreement, dated as of June 1, 2005 between the University and the Bank, including any amendments thereto; and, if an Alternate Letter of Credit is issued, "Reimbursement Agreement" shall mean a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the University.

Remarketing Agent: RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, or any successors appointed and serving in such capacity pursuant to and during the periods specified in the Indenture.

Reserve Account: The Reserve Account established under the Indenture.

Reserve Requirement: During the Variable Rate Period, zero, and during the Fixed Rate Period, as of any date of calculation, an amount of money equal to the lesser of (a) the maximum amount of principal and interest coming due on the Bonds in the then current or any future Bond Year, or (b) 10% of the principal amount of each series of the Bonds outstanding on the Conversion Date, or (c) 125% of the average annual debt service of the Bonds.

Series Four-I Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-I (Trustees of the Hamline University of Minnesota), dated September 1, 1996, issued in the original principal amount of $17,500,000, the proceeds of which were loaned by the Authority to the University to (i) finance the Series Four-I Project, (ii) refund the Series Three-A Bonds; and (iii) refund the Series Three-K Bonds.

Series Four-I Indenture: The Trust Indenture between the Authority and the Series Four-I Trustee, dated as of September 1, 1996.

Series Four-I Project: (i) The construction, furnishing and equipping of the Lloyd W.D. Walker Fieldhouse; (ii) the construction, furnishing and equipping of an addition to the Law and Graduate Schools Building; (iii) the site acquisition and construction of surface parking spaces on the north and south sides of the campus; and (iv) the renovation of computer offices and equipment rooms.

Series Four-I Trustee: Wells Fargo Bank, National Association, successor by merger to Norwest Bank Minnesota, National Association.

Series Six-E Bonds: Collectively, the Series Six-E1 Bonds, the Series Six-E2 Bonds and the Series Six-E3 Bonds.

Series Six-E1 Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-E1 (Trustees of the Hamline University of Minnesota).

Series Six-E2 Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-E2 (Trustees of the Hamline University of Minnesota).

Series Six-E3 Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-E3 (Trustees of the Hamline University of Minnesota).

Series Three-A Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-A (Trustees of the Hamline University of Minnesota) dated August 1, 1991, issued in the original principal amount of $4,430,000.

Series Three-A Project: (a) The renovation and refurbishing of Sorin, Peterson, Osborn, Schilling and Manor House Residence Halls which was originally financed by the Authority's Revenue Bonds, Series Two-G (Trustees of the Hamline University of Minnesota) which was advance refunded by the Series Three-A Bonds and (b) the renovation, equipping and repairs to Manor House, Sorin and Drew Halls, the Law School, Bush Library, Old Main and the swimming pool facility; the purchase and installation of an emergency generator; the purchase and installation of signage throughout the campus; and maintenance and remodeling projects at various campus locations, including acquisition and installation of replacement windows and sidewalks and security lighting, all on the campus of the Institution in Saint Paul, Minnesota.

Series Three-K Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-K (Trustees of the Hamline University of Minnesota) dated May 1, 1992, issued in the original principal amount of $4,565,000.

Series Three-K Project: The construction, furnishing and equipping of an academic building for the law school on the campus of the Institution in Saint Paul, Minnesota which was originally financed by the Authority's First Mortgage Revenue Bonds, Series Two-A (Trustees of the Hamline University of Minnesota) which was current refunded by the Series Three-K Bonds.

Standard & Poor's: Standard & Poor's Rating Services, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

Stated Maturity: When used with respect to any Bond or any installment of interest thereon, means the date specified in such Bond and in the Indenture as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

Tender Agent: The Tender Agent appointed in accordance with the Indenture (initially the Trustee), and any successor Tender Agent appointed thereunder.

Tender Date: Each Optional Tender Date and each Mandatory Tender Date.

Term Loan: The commercial loan U.S. Bank, National Association has made to the University in the original principal amount of $2,000,000, with an effective date of July 14, 2003, to provide financing for Term Loan Project.

Term Loan Prepayment Account: The account established under the Indenture for the deposit of certain Bond proceeds and other funds to be used for the refinancing of the Term Loan.

Term Loan Project: The renovation, improvement and equipping of the Learning Center, the Drew Fine Arts Center, the Bush Student Center, administrative offices, the Bush Memorial Library, Sorin Hall, the Englewood Building, Old Main and other facilities, and the acquisition of the 900 Holton Street property.

Termination Date: The date on which the Letter of Credit terminates or expires for any reason or the immediately preceding Business Day if such date is not a Business Day.

Trust Estate: The interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

Trustee, Registrar, Paying Agent: Wells Fargo Bank, N.A., Minneapolis, Minnesota.

Underwriter: RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, as original purchaser of the Series Six-E Bonds.

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

Variable Rate Period: The period from and including the Issue Date for the applicable series of the Bonds to and including the earlier of (i) the day next preceding the Conversion Date or (ii) the date of the last Maturity of any Bonds.

Weekly Interest Rate: With respect to a Bond, a variable interest rate on such Bond established in accordance with the Indenture.

Weekly Period: With respect to the Bonds during the Variable Rate Period, each period during which the Bonds shall bear interest at a Weekly Interest Rate.

(This page was left blank intentionally.)

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 "DEFINITION OF CERTAIN TERMS," Appendix III to this Official Statement.

Redemption of Current Refunding Portion of the Prior Bonds

On the Issue Date of the Series Six-E3 Bonds, the Authority will deposit with the Prior Bonds Trustee, for credit to the Escrow Account under the Escrow Agreement for the Current Refunding Portion of the Prior Bonds, proceeds of the Series Six-E3 Bonds, together with cash and securities held in the accounts in the Series Four-I Indenture for payment of the principal and interest through and the redemption on October 1, 2006 of the Current Refunding Portion of the Prior Bonds.

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 and premium, if any, on the Bonds when due. Prior to the Conversion Date, funds drawn under the Letter of Credit and actually received by the Trustee in amounts equal to the interest on and principal of the Bonds then due on any Interest Payment Date or principal payment date or by reason of acceleration, or equal to the Redemption Price due on any Redemption Date, shall be deemed to fulfill the University's repayment obligation under the Loan Agreement, and the University need not make any duplicative payment to the Trustee. To provide for such payments the University covenants to pay for the account of the Authority in the following amounts:

(a) From and after the Conversion Date unless the Bonds are secured by a Letter of Credit and the related Reimbursement Agreement or a supplemental indenture provides to the contrary, into the Bond and Interest Sinking Fund Account, on or before the fifth Business Day prior to the date payable, the amount payable as interest on the Bonds (including any additional interest payable under the Loan Agreement) on the next succeeding Interest Payment Date, and, the amount payable as principal of the Bonds due on the next succeeding principal payment date; and

(b) Into the Bond and Interest Sinking Fund Account, as required, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds then due (whether at maturity, or by redemption or acceleration of maturity in event of default); and

(c) On and after the Conversion Date, into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and

(d) 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 Bonds called for redemption from the Redemption Account.

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 summarized in the body of this Official Statement in the section entitled "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.

Further, the University has agreed to pay to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however that there shall be credited against such obligations the moneys made available for that purpose under the Letter of Credit.

Use of Project Facilities

So long as the Bonds are Outstanding and the Project Facilities are owned by the University, the University agrees to use the Project Facilities as educational facilities, in compliance with all 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 the University's 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 and the Prior Bonds Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation, and may make such repairs, modifications and replacements as in the judgment of the University are desirable so long as the Project Facilities will remain a "project" under the Act and the interest on the Bonds will be exempt from federal income taxation. The University may sell, transfer, convey, lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities so long as (i) the tax-exempt status of the Bonds will not be affected thereby, (ii) such sale, transfer, conveyance, lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture or the Act, (iii) the University shall remain fully obligated under the Loan Agreement as if such sale, transfer, conveyance, lease, sublease or use agreement had not been made, and (iv) in the case of such sale, transfer or conveyance, or in the case of any lease to or occupancy by persons who are not students, employees or faculty of the University, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected; provided further that the University may demolish any of the Project Facilities that, in the judgment of the University are worn out, obsolete or require replacement, are no longer used, or the University, by resolution of its Board of Trustees, has determined in its judgment are no longer useful.

Operating Expenses and Liens

The University will pay all utility charges and other charges arising from the operations of the Project Facilities. Except for Permitted Encumbrances, the University will not permit any liens to be established or to remain unsatisfied against the Project Facilities including any mechanics' liens for labor or materials furnished in connection with the acquisition and construction of the

Project or 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 and any appeal therefrom 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 will be subject to loss or forfeiture, in which event the University shall promptly pay or cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

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

The University may, at its expense, in good faith contest any such taxes, assessments, license fees and other charges and may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom 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, with certain deductible amounts, as follows:

The University is required to maintain, or cause to be maintained, insurance, during the Variable Rate Period, as required by the Reimbursement Agreement, if any, and with respect to any portion of the Project Facilities not subject to the requirements of the Reimbursement Agreement and following the Conversion Date 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 $250,000 per occurrence.

(b) Comprehensive general public liability insurance including blanket contractual liability and personal injury liability and automobile insurance 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 up to $250,000 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, provided that the University may be self-insured with respect to all or a part of its liability for workers' compensation.

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 insurance, 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 for (a) and (b) above, in accordance with the recommendation of an independent insurance consultant employed by the University and satisfactory to the Trustee.

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. On or before October 1 of each year, the University shall provide the Trustee with a certificate of insurance compliance.

Damage or Destruction

If any part of 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 in whole or in part as more fully provided in the Loan Agreement.

If the Bonds are redeemed, the available Net Proceeds in respect in respect of such Project Facilities shall be used for redemption or purchase of outstanding Bonds.

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 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 in whole or in part or rebuild, restore or replace such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed, the available Net Proceeds in respect to such Project Facilities which the University elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds.

Removal or Release of Project Equipment and Building Equipment

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

(a) the University may substitute 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 or value 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 for the redemption and prepayment of the Bonds; provided that if the depreciated book value of any item of equipment so removed was less than $25,000, such release without substitution 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; and

(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 or value of the Project Facilities.

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or, in connection with (c) above, the depreciated book value of Building Equipment, to be substituted, removed or released equals or exceeds $25,000 the University will deliver to the Trustee and the Bank a certificate signed by the Authorized Institution Representative stating that the substitution, removal, or release, as the case may be, 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.

Existence and Accreditation of University

The University agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee corporation or institution, as the case may be, is other than the University, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the University in the Loan Agreement and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against 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 bonds issued on behalf of or for the benefit of the University and all organizations under common management or control with the University (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, in no event will the University consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the University or such other resulting entity, and all organizations under common management or control with the University or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code.

Institution to be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made on or after the Conversion Date 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 later of the Date of Taxability or Conversion Date until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price shall be equal to par plus accrued interest (including 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.

Other Covenants

The University further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to 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(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the University to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

Events of Default

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

(a) If the University (or the Bank in lieu of the University while a Letter of Credit remains in effect) shall fail to make or cause to be made any Loan Repayment to the Trustee when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, the Reserve Account or the Redemption Account, as the case may be, on a Bond principal or Interest Payment Date are insufficient to pay when due principal of 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) On or after the Conversion Date, if the University shall fail to maintain the balance in the Reserve Account with respect to the Bonds in the amount of the Reserve Requirement (if more than -0-), provided failure to comply with such requirement shall not become an Event of Default unless the University fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the University by the Authority or the Trustee; or

(d) If the University fails to pay when due the amount of any Purchase Price required to be paid under the Loan Agreement; or

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

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

(g) If a court of competent jurisdiction shall enter an order, judgment or decree against the University in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the University or of the whole or any substantial part of the property of the University and such order, judgment or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof; or

(h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the University or of the whole or any substantial part of the property of the University, 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 (e) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty (30) days after notice and if the University has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the University shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The University agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the University from carrying out its agreements.

Remedies on Default

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

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

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

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Bonds as provided in Section 10.04 of the Indenture and third to the Bank to pay Letter of Credit Obligations 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:

(a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and all other sums due under the Loan Agreement, except the rights of the Authority relating to fees, expenses, indemnity and advances;

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

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

Accounts

Bond proceeds, revenues and other funds 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, with right of payment prior to payment of interest on or principal of the Bonds, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts from the Bond Purchase Fund or amounts made available under the Letter of Credit or the proceeds of remarketing the Bonds.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable arbitrage rebate requirements under Section 148(f) of the Internal Revenue 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 moneys in the Accounts established by the Indenture.

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 (60) 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 (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit);

(e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable;

(f) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that, as a consequence of certain events as set forth in the Letter of Credit, the Bank will not reinstate the interest portion of the Letter of Credit following an interest drawing;

(g) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that an event of default (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit) under the Reimbursement Agreement has occurred and that the Bank is directing the Trustee to accelerate the Bonds; or

(h) If the University, prior to the Conversion Date, fails to perform its obligations under the Loan Agreement to maintain a Letter of Credit.

Remedies

Upon the occurrence of an Event of Default described in (a), (b), (e), (f), or (g) above, the Trustee shall 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 (with the consent of the Bank), 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.

Upon and during the continuance of an Event of Default described in (c), (d) or (h) above, and subject to the consent of the Bank, the Trustee (i) with the Bank's consent may, and (ii)(A) with the Bank's consent and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding hereunder or (B) upon request of the Bank, shall, by notice in writing delivered to the Authority, declare the principal of all Bonds hereby secured 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 (i) the Holders of a majority in aggregate principal amount of Bonds then outstanding hereunder with the Bank's consent or (ii) the Bank, by written notice to the Authority and to the Trustee, to annul such declaration at anytime as described in (c) above.

Prior to the Conversion Date, upon any declaration of an acceleration received prior to 2:30 P.M., Chicago time (and if any such declaration is received by the Trustee after such time, it shall be deemed to be received on the next succeeding Business Day), the Trustee shall give Electronic Notice to the Holders stating that on the first Business Day following the date of acceleration (the "Accelerated Payment Date"), such Bonds shall be payable and interest on the Bonds shall cease to accrue as of the Accelerated Payment Date. Upon any declaration of acceleration hereunder, the Trustee shall immediately draw on the Letter of Credit.

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 (a) with the Bank's consent may, and (b)(i) with the Bank's consent and upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, or (ii) upon the request of the Bank, shall 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 or the Bank as aforesaid, unless such Bondholders or the Bank shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Application of Moneys

Subject to the terms of the Indenture, moneys drawn by the Trustee under the Letter of Credit in connection with an Event of Default shall be deposited in the Letter of Credit Account in the Bond and Interest Sinking Fund Account. All other moneys received by the Trustee pursuant to Article X of the Indenture shall, after deducting (i) just and reasonable compensation for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and (ii) after making reimbursement to itself for advances made pursuant to the provisions of the Indenture with interest on all such advances, be deposited in the General Account in the Bond and Interest Sinking Fund Account. All above described moneys shall be applied, subject to the provisions of Article VI of the Indenture, as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST--to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND--to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due, in the order of their due dates, with interest on such Bonds at the rate last borne by the Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the principal which became due on such Bonds on any particular date, together with such interest, then to the payment thereof ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege; and

THIRD--to the payment to the Bank of Letter of Credit Obligations; and

FOURTH--to the payment of the principal and interest then due and unpaid on Corporation Bonds that are not Pledged Bonds.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST--to the payment of the principal and the interest then due and unpaid on the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and

SECOND--to the payment to the Bank of Letter of Credit Obligations.

THIRD--to the payment of principal and interest then due and unpaid on Corporation Bonds that are not Pledged Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) under this heading.

Whenever moneys are to be applied pursuant to the provisions described above, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate of Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its affiliates, 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. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the University, with the consent of the Bank, provided that the Authority may, but is not required to remove the Trustee with or without the request of the University if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

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 or the Bank 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. First for the equal benefit of the Holders of all Bonds outstanding (other than University Bonds), and Second for the benefit of the Bank and Third for the benefit of the Holders of the University Bonds.

The Trustee (a) with the consent of the Bank and upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding or (b) upon the written request of the Bank 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 or the Purchase Price; 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.

Payment, Defeasance and Release

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 outstanding Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) on or after the Conversion Date, provide for the payment of principal of and premium, if any, and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States 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 such Bonds outstanding, or

(c) on or after the Conversion Date, deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of such 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 all Letter of Credit Obligations, the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder,

then at the request of the Authority or the University all the Trust Estate shall revert to the Authority and the University as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of such 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 the 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 Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

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

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

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

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

(e) to modify the Indenture as authorized by Holders;

(f) to modify or supplement provisions relating to procedures for drawing on the Letter of Credit in connection with the issuance of an Alternate Letter of Credit; and

(g) to make any other changes with the Bank's consent except those changes which require unanimous approval of the Holders of all outstanding Bonds described in 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 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 (other than as provided in the Indenture during the Variable Rate Period), 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, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

Any supplemental indenture affecting the rights or obligations of the Bank, the Remarketing Agent or the Tender Agent shall not be effective without written consent of the party affected thereby.

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, (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, or (e) in connection with any other change approved by the Bank except those changes requiring unanimous consent of Holders of all Bonds then outstanding

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.

No amendment to or other modification of the Loan Agreement or waiver of any provision thereof may be entered into or given without the prior written consent of the Bank. Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Bank or the Tender Agent shall not be effective without the written consent of the party so affected.

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, during the Fixed Rate Period, the same 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.

(This page was left blank intentionally.)

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, New York, 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) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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 and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Direct and Indirect 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 Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any 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 Direct and Indirect 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. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. 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 Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, the University, 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 Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or redeemed, through its Direct Participant, to the nominee holding the Bonds, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on DTC's records, to the nominee holding the Bonds. The requirement for physical delivery of Bonds in connection with a purchase or redemption will be deemed satisfied when the ownership rights in the Bonds are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of purchased or redeemed Bonds to the nominee holding the Bonds.

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

The Authority, at the University's direction, 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.

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. None of the Authority, the University nor the Underwriter takes any responsibility for the accuracy thereof.

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

HAMLINE UNIVERSITY OF MINNESOTA
BALANCE SHEETS
JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
Cash and Cash Equivalents	$ 7,417,224	5,014,543
Restricted Cash	17,589,645	2,657,912
Accounts Receivable (Net of Allowance of $602,300 and $597,000 for 2005 and 2004, Respectively)	2,593,906	2,761,582
Prepaid Expenses and Other Assets	1,990,128	1,598,939
Inventories	252,468	289,370
Contributions Receivable	2,939,696	1,676,836
Student Loans Receivable (Net of Allowance of $500,000 for 2005 and 2004)	9,214,241	8,119,868
Investments	67,257,507	70,700,569
Property, Plant and Equipment (Net)	66,901,360	60,219,850
Construction in Progress	2,692,207	5,891,524
Beneficial Interest in Remainder Trusts	518,631	385,758
Beneficial Interest in Perpetual Trust	826,800	810,809
Total Assets	$ 180,193,813	$ 160,127,560
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable and Accrued Expenses	11,513,127	12,814,921
Deposits and Deferred Revenue	5,441,189	4,579,949
Annuities and Unitrusts Payable	2,218,929	2,230,253
Grants Refundable to Government	8,014,653	7,817,583
Long-Term Debt	39,402,273	24,163,593
Total Liabilities	66,590,171	51,606,299
Net Assets:		
Unrestricted	57,644,816	48,854,358
Temporarily Restricted	9,370,885	15,289,065
Permanently Restricted	46,587,941	44,377,838
Total Net Assets	113,603,642	108,521,261
Total Liabilities and Net Assets	$ 180,193,813	$ 160,127,560

See accompanying Notes to Financial Statements.

HAMLINE UNIVERSITY OF MINNESOTA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2005 AND 2004

	2005				2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:								
Tuition and Fees	$ 67,830,731	$ -	$ -	$ 67,830,731	$ 63,194,702	$ -	$ -	$ 63,194,702
Less:								
Unfunded Student Aid	16,828,601	-	-	16,828,601	16,040,178	-	-	16,040,178
Funded Student Aid	2,072,530	-	-	2,072,530	2,122,322	-	-	2,122,322
Net Student Tuition and Fees	48,929,600	-	-	48,929,600	45,032,202	-	-	45,032,202
Government Grants	227,074	1,979,955	-	2,207,029	182,666	1,866,438	-	2,049,104
Contributions	1,617,150	3,860,488	2,177,215	7,654,853	1,344,191	4,374,796	6,370,353	12,089,340
Investment Income, Net	948,548	307,385	-	1,255,933	674,446	385,272	-	1,059,718
Realized and Unrealized Gains (Losses) on Investments	593,437	1,426,437	36,147	2,056,021	574,276	1,467,376	161,791	2,203,443
Sale and Services of Educational Activities	629,202	100,772	-	729,974	553,283	198,850	-	752,133
Change in Value of Split-Interest Agreements	-	138,079	(25,759)	112,320	-	204,922	613,276	818,198
Other Sources	684,875	947,736	22,500	1,655,111	650,757	634,763	-	1,285,520
Auxiliary Enterprises	7,580,255	-	-	7,580,255	7,323,015	-	-	7,323,015
Net Assets Released from Restrictions	6,906,586	(6,906,586)	-	-	6,387,130	(6,387,130)	-	-
Total Revenue	68,116,727	1,854,266	2,210,103	72,181,096	62,721,966	2,745,287	7,145,420	72,612,673
Expenses:								
Instruction	25,836,723	-	-	25,836,723	22,958,845	-	-	22,958,845
Academic Support	11,326,523	-	-	11,326,523	10,182,166	-	-	10,182,166
Research	231,923	-	-	231,923	215,085	-	-	215,085
Public Service	701,462	-	-	701,462	957,814	-	-	957,814
Student Services	10,345,069	-	-	10,345,069	9,317,275	-	-	9,317,275
Institutional Support	10,965,225	-	-	10,965,225	10,341,795	-	-	10,341,795
Auxiliary Enterprises	8,536,953	-	-	8,536,953	8,016,839	-	-	8,016,839
Total Expenses	67,943,878	-	-	67,943,878	61,989,819	-	-	61,989,819
CHANGE IN OPERATING ASSETS	172,849	1,854,266	2,210,103	4,237,218	732,147	2,745,287	7,145,420	10,622,854
Investment Income in Excess of Spending Rate	929,711	-	-	929,711	4,857,699	-	-	4,857,699
Facility Net Assets Released from Restrictions	7,772,446	(7,772,446)	-	-	95,406	(95,406)	-	-
Board Designated Unrestricted Spending	(84,548)	-	-	(84,548)	(1,364)	-	-	(1,364)
CHANGE IN NET ASSETS	8,790,458	(5,918,180)	2,210,103	5,082,381	5,683,888	2,649,881	7,145,420	15,479,189
Net Assets - Beginning of Year	48,854,358	15,289,065	44,377,838	108,521,261	43,170,470	12,639,184	37,232,418	93,042,072
NET ASSETS - END OF YEAR	$ 57,644,816	$ 9,370,885	$ 46,587,941	$ 113,603,642	$ 48,854,358	$ 15,289,065	$ 44,377,838	$ 108,521,261

See accompanying Notes to Financial Statements.

See accompanying Notes to Financial Statements.

HAMLINE UNIVERSITY OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 5,082,381	$ 15,479,189
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Loss on Disposal of Assets	5,127,423	4,966,055
Net Realized and Unrealized Losses on Investments	(2,985,732)	(7,061,142)
Contributions Restricted for Long-Term Investment	(4,268,757)	(8,522,074)
Adjustment of Actuarial Liability for Annuities Payable	346,873	799,340
Change in Value of Beneficial Interest in Remainder Trusts	(132,873)	28,965
Change in Assets and Liabilities:		
Restricted Cash	(14,931,734)	439,197
Student Accounts Receivable	167,676	(258,358)
Prepaid Expenses and Other Assets	(391,190)	(27,101)
Inventories	36,901	(36,717)
Contributions Receivable	(1,283,899)	5,163,313
Student Loans Receivable	(1,094,373)	(157,730)
Accounts Payable and Accrued Expenses	(1,301,794)	4,211,611
Deposits and Deferred Revenue	861,240	(154,248)
Net Cash (Used) Provided by Operating Activities	(14,767,858)	14,870,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property, Plant and Equipment	(8,609,616)	(10,595,851)
Purchases of Investments	(51,471,577)	(102,874,950)
Proceeds from Sale of Investments	57,900,375	89,549,477
Net Cash Used by Investing Activities	(2,180,818)	(23,921,324)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Beneficial Interest in Perpetual Trust	(15,991)	(49,909)
Issuance of Long-Term Debt	18,160,000	2,000,000
Proceeds from Contributions Restricted for Long-Term Investment	4,289,796	9,210,020
Grants Refundable to Government	197,070	(258,961)
Payments on Capital Lease	-	(106,101)
Payments on Long-Term Debt	(2,921,320)	(1,237,160)
Payments on Annuities Payable	(358,198)	(365,892)
Net Cash Provided by Financing Activities	19,351,357	9,191,997
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,402,681	140,973
Cash and Cash Equivalents - Beginning of Year	5,014,543	4,873,570
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,417,224	$ 5,014,543
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 1,347,305	$ 1,382,233

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hamline University is a nationally ranked comprehensive university serving 4,400 students in its undergraduate college, school of law and graduate schools. It offers undergraduate, masters, doctorate and professional degrees, as well as certificate and continuing studies programs. Founded in 1854, Hamline was the first institution of higher learning in Minnesota.

During the past 151 years, Hamline has established a national reputation for academic quality, as well as providing students with personal attention and exceptional experiences. Hamline is one of only 270 Phi Beta Kappa institutions in the United States. Among comprehensive universities, *U.S. News and World Report* ranks Hamline first in Minnesota, one of the top ten in the Midwest and among the nation's leading universities. The School of Law's Alternative Dispute Resolution program is ranked in the top five in the nation by *U.S. News and World Report.*

Hamline's vision is to be a diverse community of learners with students at the center that transforms lives. The university has a strong tradition of excellence in teaching, research, and scholarship. Among its longstanding values are commitments to rigorous academics, civility and ethics, and to making the world a better place.

Located in the vibrant Twin Cities of Saint Paul and Minneapolis, Hamline is affiliated with the United Methodist Church. Its main campus in St. Paul is known for its central location, historic buildings and beautiful gardens. Hamline's Minneapolis Center, which opened in fall 2003, offers graduate courses at a convenient, newly renovated location in downtown Minneapolis.

Basis of Presentation

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

Net assets and revenue, 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 and for specific future operating purposes;

- 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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 revenue in the period received. Conditional promises to give are not recognized until 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.

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 except those held for investment purposes.

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. Restricted cash also consists of cash and cash equivalents from the investments held by the University under split-interest agreements and bond escrow accounts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounts Receivable and Student Loan Receivables
Receivables are stated at net realizable value. The University provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectibility. When all collection efforts have been exhausted and no payments have been received, accounts are individually assessed for collectibility and are written off against the related allowance. At June 30, 2005 and 2004, the allowance was $1,102,300 and $1,097,000, respectively. All accounts, notes, and other receivables are collectible within one year.

Contributions Receivable
Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises are not included as revenue until such times as the conditions are substantially met.

Investments
Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers.

Private equity investments are investments in limited partnership interests and are carried at fair values as determined by the general partner in the absence of readily ascertainable market values. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material. Unrealized gains and losses are recognized in the period in which they occur.

The University enters into futures contracts on the S&P 500, which requires a small margin deposit of the contract's value. The remaining funds are then invested in a cash and equivalents portfolio. The futures component locks in the index's rate of return, and any return on the underlying cash portfolio in excess of an assumed cash return provides return over the index. Realized net gains from this trading activity for the year ended June 30, 2005 was $373,593.

HAMLINE UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)
The summary of these financial instruments at June 30, 2005 is as follows:

Property, Plant and Equipment
Property, plant and equipment are stated at cost at the date of acquisition or at fair value at the date of donation, less accumulated depreciation. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is computed on the straight-line method (half-year convention for the year placed in service) over the estimated useful lives of the assets as follows:

Buildings	50 Years
Land Improvements	10-20 Years
Building Improvements	20 Years
Equipment	3-20 Years
Library Materials	15 Years

Depreciation expense includes the amortization of capital lease assets.

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

Interest was capitalized in connection with the construction of facilities. The capitalized interest was recorded as part of the asset to which it relates and is amortized over the asset's useful life.

Grants Refundable to Government
Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Contributions receivable and annuities payable are recorded at fair value using appropriate discount rates. The carrying values of investments and assets held in charitable remainder unitrusts are based upon values provided by an external investment manager or quoted market values. Investments are carried at fair value, as indicated in Note 3, Investments.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the student loans 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.

A reasonable estimate of the fair value of the contributions receivable could not be made because the contribution receivables are not salable.

The long-term debt is valued based on the borrowing rates currently available to the University for long-term borrowing with similar terms and average maturities.

A reasonable estimate of the fair value of the annuities and unitrusts payable could not be made because the annuities and unitrusts are not salable.

The estimated fair values of the University's long term financial instruments at June 30, are as follows:

	2005		2004	
	Carry Amount	Fair Value	Carry Amount	Fair Value
Student Loans Receivable	$ 9,214,241	$ 9,214,241	$ 8,119,668	$ 8,119,668
Contribution Receivable	2,939,696	2,939,696	1,676,836	1,676,836
Long-Term Investments	67,257,507	67,257,507	70,700,569	70,700,569
Beneficial Interest in Remainder Trusts	518,631	518,631	385,758	385,758
Beneficial Interest in Perpetual Trust	826,600	826,600	810,609	810,609
Government Grant Repayable	(8,014,653)	(8,014,653)	(7,817,583)	(7,817,583)
Notes, Bonds and Mortgages Payable	(39,402,273)	(39,402,273)	(24,163,593)	(24,163,593)
Annuities and Unitrusts Payable	(2,218,929)	(2,218,929)	(2,230,253)	(2,230,253)

HAMLINE UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Expense

Advertising expenses are expensed as incurred. Advertising expense for the years ended June 30, 2005 and 2004 was $627,077 and $615,784, respectively.

Federal Income Taxes

The University has received a determination letter from the Internal Revenue Service indicating it is 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. Contributions are also tax deductible.

Use of Estimates

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

Reclassifications

Certain 2004 amounts in the accompanying financial statement have been classified to conform to the 2005 presentation. Such reclassification had no impact on net assets or the change in net assets.

NOTE 2 CONSTRUCTION IN PROGRESS

The University has received donor restricted contributions to upgrade the athletic field, scoreboard, and track. The contributions are recorded as temporarily restricted support and will be released from restriction once the facility is completed and placed into service. Funds expended at June 30, 2005 to be released from restriction are $873,293.

NOTE 3 INVESTMENTS

Investments include funds traditionally considered the endowment of the University, as well as assets of split-interest agreements and unrestricted net assets. As of June 30, 2005 and 2004, the allocations shown at fair value are as follows:

	2005	2004
Permanent Endowment	$ 43,470,855	$ 41,267,915
Funds Functioning as Endowment	15,697,906	13,632,426
Subtotal	59,168,761	54,900,341
Split-Interest Agreements	4,336,354	4,302,747
Unrestricted Investments	3,752,392	11,497,481
Total Investments	$ 67,257,507	$ 70,700,569

Investments at June 30, 2005 and 2004 consist of the following:

	Fair Value	
	2005	2004
Bonds	$ 11,532,346	$ 12,557,972
Equities	39,823,913	36,387,514
Private Equity and Hedge Funds	13,129,186	11,826,126
Cash and Short-Term Investments	2,454,122	9,632,700
Other	317,940	296,257
Total Investments	$ 67,257,507	$ 70,700,569

NOTE 4 INVESTMENT INCOME

During the years ended June 30, 2005 and 2004, the board of trustees set a spending rate for board-designated endowment and endowment funds at the average fair value of the pooled endowment funds for the three prior fiscal years. The established spending rate for 2005 was 5% and in 2004 the financial aid-scholarship endowment funds was 6% and unrestricted and endowment funds designated for other purposes had an established spending rate of 5%. During fiscal 2005 and 2004, the University endowment spending designated for current operations was $2,463,713 and $2,597,237, respectively. The following schedule summarizes the investment return and its classification in the statement of activities:

	2005	2004
Dividend and Interest	$ 922,807	$ 960,138
Advisory Fees	(487,541)	(424,086)
Net Realized and Unrealized Gains (Losses)	2,985,732	7,061,142
Gain on Assets Held for Investment	3,420,998	7,597,194
Investment Income on Short-Term Investments	820,667	523,666
Net Gain on Investments	$ 4,241,665	$ 8,120,860

NOTE 5 SPLIT-INTEREST AGREEMENTS

The University has arrangements with donors classified as charitable remainder trusts, perpetual trusts, charitable annuity trusts, charitable gift annuities, and pooled life income funds. In general, under these arrangements, the University receives a gift from a donor in which it has a remainder interest and agrees to pay the donor-stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The University invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the University as unrestricted, temporarily restricted, or permanently restricted net assets or, in some instances, distributed to third-party beneficiaries.

When a split interest gift noted above is received it is recorded as a partial gift and a partial liability. The liability is calculated based on an actuarial calculation of the present value of future distributions to the donor and the remaining amount of the initial receipts is retained for the benefit of the University or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered, and age and gender characteristics of the donor. The University used an interest rate of 6% at June 30, 2005 in making the calculation.

Investments held by the University under split-interest agreements totaled $4,336,354 and $4,302,747 at June 30, 2005 and 2004, respectively.

NOTE 5 SPLIT-INTEREST AGREEMENTS (CONTINUED)

For charitable remainder trusts for which Hamline is not the trustee the value of the beneficial interest in the remainder trusts is recorded when the trust agreement has been received and there is sufficient information available to value the agreement. The amount recorded is the beneficial interest which is the net expected benefit to be received. This is determined as the difference between the fair value of the trust assets and the actuarial liability. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered, and age and gender characteristics of the donor. The University used an interest rate of 6% at June 30, 2005 in making the calculation.

NOTE 6 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The net asset balances consist of the following at June 30, 2005 and 2004:

	2005	2004
Temporarily Restricted:		
Restricted for Programs	$ 4,834,864	$ 6,261,149
Gifts Designated for Plant Expenditures	3,854,703	9,495,645
Split-Interest Agreements	681,318	532,271
Total	$ 9,370,885	$ 16,289,065

	2005	2004
Permanently Restricted:		
Permanent Endowment	$ 43,470,855	$ 41,267,915
Beneficial Interest in Perpetual Trust	826,800	810,809
Split-Interest Agreements	2,062,925	2,056,677
Gifts Designated for Student Loans	227,361	242,437
Total	$ 46,587,941	$ 44,377,838

The temporarily restricted net assets released from restrictions of $14,679,032 and $6,482,636 for the years ended June 30, 2005 and 2004, respectively, were from gifts restricted for a particular purpose and from pledges.

HAMLINE UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 7 CONTRIBUTIONS RECEIVABLE

Contributions receivable includes significant pledges by five donors that represents 89% of the receivable as of June 30, 2005. The contribution receivable as of June 30, 2004 includes three significant pledges that represent 71% of the receivable. Contributions receivable are summarized as follows at June 30, 2005 and 2004:

	2005	2004
Unconditional Promises Expected to be Collected In:		
Less Than One Year	$ 1,272,057	$ 362,293
One to Five Years	832,718	1,279,403
More Than Five Years	1,142,926	177,763
Total Contributions	3,247,701	1,819,459
Discount (4%)	(308,005)	(142,823)
Total Contributions, Net of Discount	$ 2,939,696	$ 1,676,636

NOTE 8 LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2005 and 2004:

Description	2005	2004
Hamline University Dormitory and Auxiliary Facilities Bonds of 1969, Series C, Bearing Interest at 3%, Payable in Varying Installments to June 1, 2009 (Original Amount of $2,250,000). The bonds mature serially and require semiannual deposits on June 1 and December 1 of each year. The University may redeem the bonds at any time prior to maturity at a varying premium up to 3%. Buildings carried at $7,000,000, along with underlying land and deposits with trustees under the bond indentures, are pledged as collateral to the bonds.	$ 275,000	$ 340,000
MHEFA Mortgage Revenue Bonds of 1996, Series Four I, Bearing Interest at 4.8% to 5.65%, Payable in Varying Installments to October 1, 2007 (Original Amount of $17,500,000). Interest is payable semiannually on April 1 and October 1 of each year. 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 and reported in the balance sheet as restricted cash. On June 30, 2005 $10,180,000 of the Series Four I was advanced refunded through the MHEFA Series Six E 1 Debt Issue, $10,625,408 is in restricted cash.	13,020,000	13,755,000
Subtotal, Carried Forward	$ 13,295,000	$ 14,095,000

NOTE 8 LONG-TERM DEBT (CONTINUED)

Description	2005	2004
Subtotal, Brought Forward	$ 13,295,000	$ 14,095,000
MHEFA Revenue Bonds of 1999, Series Five B, Bearing Interest at 4.45% to 6%, Payable in Varying Installments to October 1, 2029 (Original Amount of $7,750,000). The proceeds were used for the construction of an apartment-style student residence building. Interest is payable semiannually on April 1 and October 1 of each year. The principal amounts due on or after October 1, 2010 are subject to early redemption at the option of MHEFA commencing October 1, 2009. Deposits with the trustees under the bond indenture are pledged as collateral and reported in the statement of financial position as restricted cash.	7,270,000	7,400,000
Note Payable, Dated May 2002, Bearing Interest at 3.9%, Payable in Monthly Installments of $3,048 to July 1, 2007 (Original Amount of $184,039). The note is unsecured.	67,714	107,916
Note Payable, Dated July 14, 2003, Bearing Interest at 1.95% + LIBOR, 3.32% at 6/30/04, Payable in Monthly Installments of $16,667 with the final payment due to July 1, 2006 (Original Amount of $2,000,000). The note is unsecured.	-	1,816,666
MHEFA Bonds of 2003, Series Five O, Bearing Interest at 5.01%, Payable in Semi-Annual Installments of $85,032 to June 1, 2009 (Original Amount of $1,000,000) The proceeds were used for the expansion of parking facilities and to improve the heating, air, and ventilation systems. Interest is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2002. Deposits under the note are pledged as collateral and reported in the statement of financial position as restricted cash.	609,559	744,012
MHEFA Bonds of 2005, Series Six E1, Variable Interest Rate Debt reset weekly at the Bond Market Association (BMA) Municipal Swap Index, Interest is payable monthly beginning August 1, 2005 to October 1, 2016 (Original Amount of $9,580,000) The proceeds were used to advance refund a portion of the MHEFA Series Four I. The Bonds are secured by a Letter of Credit. In direct connection with this series, an interest rate swap agreement was entered into for the same term at a fixed rate of 3.4092% annually.	9,580,000	-
Subtotal, Carried Forward	$ 30,822,273	$ 24,163,593

NOTE 8 LONG-TERM DEBT (CONTINUED)

Description	2005	2004
Subtotal, Brought Forward	$ 30,822,273	$ 24,163,593
MHEFA Bonds of 2005, Series Six E2, Variable Interest Rate Debt reset weekly at the Bond Market Association (BMA) Municipal Swap Index, Interest is payable monthly beginning August 1, 2005 to October 1, 2025 (Original Amount of $8,580,000) The proceeds were used for improvements to various buildings on campus, to refinance a note payable, and acquire property. The Bonds are secured by a Letter of Credit.	8,580,000	-
Total	$ 39,402,273	$ 24,163,593

As of June 30, 2005, future debt service requirements (principal payments) on all long-term borrowings are summarized as follows:

Year Ending June 30,	Amount
2006	$ 1,509,597
2007	10,832,468
2008	1,590,968
2009	1,653,880
2010	1,480,000
After 2010	22,335,000
Total Long-Term Debt	$ 39,402,273

Total interest expense on debt was $1,347,305 and $1,382,233 for the years ended June 30, 2005 and 2004, respectively.

Variable Rate Debt
The MHEFA Series Six E bonds are secured by a letter of credit (LOC) in the amount of $18,334,137, which expires July 7, 2008. The LOC is with Harris Bank N.A. No amounts have been drawn down on the LOC as of June 30, 2005.

Interest Rate Swap Agreement
In conjunction with the MHEFA Series Six-E1 bonds, the University entered into an interest rate swap agreement with RBC Dain Rauscher Inc. (the "Swap Provider") with the objective to minimize the risks associated with market rate fluctuations. The swap agreement is a cash flow hedge that is deemed to be 100% effective. Pursuant to the terms of the swap agreement (Interest Rate Swap), the University pays the Swap Provider interest at a fixed rate, 3.4092%. The Swap Provider will pay the University interest at a variable rate equal to the Weighted Average Rate (the arithmetic mean of the Bond Market Association (BMA) Index in effect for each day in the calculation period). This Interest Rate Swap has the effect of converting the interest rate on the Bonds from a variable rate to a net fixed rate, or synthetic rate, of 3.4092%. The swap agreement expires on October 1, 2016. As of June 30, 2005, the notional amount of the swap agreement was $9,580,000. At June 30, 2005, the fair value of the swap agreement liability was $58,485.

NOTE 9 OBLIGATIONS UNDER OPERATING LEASES

The University entered into various lease agreements of which the future commitments are summarized as follows:

Year Ending June 30,	Amount
2006	$ 324,433
2007	172,112
2008	194,230
2009	197,922
2010	198,317
Thereafter	110,593
Total Future Minimum Lease Payments	$ 1,197,607

Rental expense for the years ended June 30, 2005 and 2004 were $325,124 and $265,521, respectively.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2005 and 2004:

	2005	2004
Land	$ 2,529,980	$ 2,165,260
Land Improvements	4,245,829	4,833,074
Buildings and Building Improvements	85,263,627	77,261,878
Equipment	20,914,321	19,029,060
Library Materials	12,472,934	11,516,491
Property, Plant and Equipment	125,426,691	114,845,783
Less: Accumulated Depreciation	(58,525,331)	(54,625,933)
Property, Plant and Equipment, Net of Accumulated Depreciation	66,901,360	60,219,850
Construction in Process	2,692,207	5,891,524
Total	$ 69,593,567	$ 66,111,374

Total depreciation expense was $4,977,956 and $4,691,546 for the years ended June 30, 2005 and 2004, respectively.

NOTE 11 LINE OF CREDIT

The University has an unsecured line of credit totaling $4,000,000 with USBank. Interest is payable monthly at the bank's prime rate. Principal is repayable at January 15, 2006, expiration date of the agreement. At June 30, 2005 and 2004, the University had no borrowings under this agreement.

NOTE 12 FUNCTIONAL EXPENSES

Expenses reported in the financial statements are classified among program services and supporting activities as follows:

	2005	2004
Program Services	$ 56,978,653	$ 51,648,024
Supporting Activities:		
Management and General	9,132,779	8,908,559
Fundraising	1,832,446	1,433,236
Total	$ 67,943,878	$ 61,989,819

The University allocated interest expenses of $1,770,490, depreciation expense of $4,977,956 and facility operation, and maintenance expense of $4,440,424 to program and support functions for the year ended June 30, 2005. The University allocated interest expenses of $1,404,369, depreciation expense of $4,691,546 and facility operation, and maintenance expense of $3,918,486 to program and support functions for the year ended June 30, 2004. Expenses are allocated based on square footage percentages and the best estimates of management.

The University has a policy that allows functional units to expend funds from a Board Designated Gain Sharing program. The total of this Gain Sharing fund at the end of fiscal year 2005 is $185,452. The Program Service expense includes Academic Support expenses of $48,858 and $1,364 for the Board Designated Spending for the years ended June 30, 2005 and 2004, respectively. Management and General expense includes $35,690 for the Board Designated Spending for the year ended June 30, 2005.

NOTE 13 RETIREMENT PLAN

The University participates in the Teachers Insurance and Annuity Association of America-College Retirement Equities Fund 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. Contributions by the University for the retirement plan were $2,260,898 and $2,070,384 for the years ended June 30, 2005 and 2004, respectively.

NOTE 14 OTHER POSTRETIREMENT BENEFITS

The University provides medical benefits for eligible employees who retire at or beyond age 55 with 10 or more years of service. The plan is contributory for all retired employees. The University does not pre-fund these costs.

In 2003, the plan was amended to provide benefits only to those employees retiring on or before June 30, 2008. The University adopted the Curtailment methodology of recognizing the financial impact in the year of the change. This resulted in a decrease in liability of $772,414 for the year ended June 30, 2003.

	2005	2004
Accumulated Postretirement Benefit Obligation:		
Retirees	$ 1,305,332	$ 1,299,953
Fully Eligible Active Plan Participants	640,990	696,969
Other Active Plan Participants	63,958	88,840
Unrecognized Gain	51,333	24,844
Accrued Postretirement Benefit Cost Included In Accounts Payable and Accrued Expenses	$ 2,061,613	$ 2,110,606

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

	2005	2004
Service Cost of Benefits Earned During the Period	$ 7,214	$ 11,645
Interest Cost on Accumulated Postretirement Benefit Obligation	125,144	127,992
Amortization of Prior Service Cost	-	-
Amortization of Loss	-	-
Net Periodic Postretirement Benefit Cost	$ 132,358	$ 139,637

The discount rate used in determining the accumulated postretirement benefit obligation (APBO) was 6.25%. The assumed increase in health-care costs used in measuring the APBO was 8% per year decreasing to 5% over a period of several years. The health-care cost trend rate assumption has a significant effect on the amounts reported. For example, a 1% increase in the health-care trend rate would increase the APBO by approximately $29,786 at June 30, 2005 and the net periodic postretirement benefit cost by approximately $2,282 for fiscal year 2005. A 1% decrease in the health care trend rate would decrease the APBO by approximately $25,064 at June 30, 2005 and the net periodic postretirement benefit cost by approximately $1,927 for fiscal year 2005.

NOTE 15 RELATED PARTY

Pledges from certain Board of Trustee members are included in the financial statements. The pledges outstanding were $2,663,990 and $1,090,135 for the years ended June 30, 2005 and 2004, respectively.

The University also contracts with a board member's firm for construction projects. The University has a conflict of interest policy in place which is updated annually and also performs an independent third party review of these contracts. The expenditures incurred were $4,609,009 and $3,026,035 for the years ended June 30, 2005 and 2004, respectively. Accounts payable at June 30, 2005 totaled $1,170,321.

NOTE 16 COMMITMENTS AND CONTINGENCIES

The University is subject to certain claims arising out of the ordinary course of business. Although it is not possible to predict the outcome of these claims, management believes they will not have a material effect on the financial condition of the University.

The University has several construction commitments outstanding as of June 30, 2005. The anticipated commitments for services to be performed after June 30, 2005 are approximately $4,220,000.

HARRIS N.A.

Harris N.A. (the *"Bank"*), with executive offices in Chicago, Illinois, is a wholly-owned subsidiary and the principal asset of Harris Bankcorp, Inc., a Delaware corporation (*"HBI"*). HBI is a wholly-owned indirect subsidiary of Bank of Montreal. The Bank is a commercial bank offering a wide range of banking and trust services to its customers in the Chicago metropolitan area, throughout the United States and around the world. As of March 31, 2006, the Bank and its consolidated subsidiaries had total assets of approximately $36.515 billion, total deposits (including deposits in foreign offices) of approximately $25.657 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $24.236 billion and total equity capital of approximately $2.956 billion. The Bank and its consolidated subsidiaries had net income for the quarter ended March 31, 2006, of $41.380 million. The Letter of Credit is an obligation of the Bank and not of HBI.

The Bank's Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031, as of the close of business on March 31, 2006, as submitted to the Federal Reserve Bank of Chicago, are incorporated by reference in this Appendix VII and shall be deemed to be a part hereof. In addition, all subsequent reports filed by the Bank pursuant to 12 U.S.C. § 324 prior to and after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Harris N.A., 111 West Monroe Street, P.O. Box 755, Chicago, Illinois 60690, Attention: Public Relations Department.

Neither the Bank nor its affiliates make any representations as to the contents of this Official Statement (except as to this Appendix VII), the suitability of the Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.