OFFICIAL STATEMENT DATED JUNE 28, 2010

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

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

$14,890,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-E
(Trustees of the Hamline University of Minnesota)
(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: April 1 and October 1, commencing October 1, 2010**

Bonds will mature annually on October 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP 60416H:	Year	Amount	Interest Rate	Yield	CUSIP 60416H:
2010	$295,000	3.000%	0.950%	RA 4	2017	$ 200,000	4.000%	4.000%	RH 9
2011	$230,000	3.000%	1.350%	RB 2	2017	$1,565,000	5.000%	4.000%	SB 1
2012	$235,000	3.000%	1.950%	RC 0	2018	$1,840,000	4.125%	4.240%	RJ 5
2013	$245,000	3.000%	2.300%	RD 8	2019	$ 250,000	4.250%	4.440%	RK 2
2014	$250,000	3.000%	2.800%	RE 6	2019	$1,685,000	5.000%	4.440%	SC 9
2015	$260,000	4.000%	3.300%	RF 3	2020	$2,020,000	4.375%	4.550%	RL 0
2016	$275,000	4.000%	3.700%	RG 1	2021	$2,110,000	4.500%	4.620%	RM 8

$3,430,000 5.000% Term Bonds due October 1, 2029 Yield 5.050% CUSIP 60416H RN 6

The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-E (Trustees of the Hamline University of Minnesota) (the "Bonds") are subject to optional redemption prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds will also be subject to extraordinary optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to extraordinary optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption" and "THE BONDS – Determination of Taxability."

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

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

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA, NOR 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 Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriter named below subject to the approval as to validity and tax exemption of the Bonds by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Oppenheimer Wolff & Donnelly LLP, Minneapolis, Minnesota and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter through the facilities of DTC on or about June 29, 2010.

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 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority, except for the omission of certain information referred to in the succeeding paragraph.

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.

No dealer, broker, sales representative or other person has been authorized by the Authority, the University or the Underwriter to give any information or to make any representations with respect to the Bonds other than as 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 Trustee, has been obtained from the University and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. THE 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 CREATE, UNDER ANY CIRCUMSTANCES, ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE UNIVERSITY SINCE THE DATE HEREOF.

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

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

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

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.

CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers provided in this Official Statement are included for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. Neither the Authority, the Underwriter, nor the University takes any responsibility for the accuracy of such CUSIP numbers.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Mary F. Ives, Chair	Real Estate Business Owner, Resident of Grand Rapids, Minnesota
Raymond VinZant, Jr., Vice Chair	Plumbing Expert and Instructor at Anoka Technical College, Resident of Wyoming, Minnesota
Janet Withoff, Secretary	Consultant – Planning and Grant-Writing, Resident of Orono, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council
Gary D. Benson	Project Director of ICS Consulting, Resident of New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, Resident of New Brighton, Minnesota
Tammy L. H. McGee	Vice President for Finance and Administration and Chief Financial Officer, Augsburg College, Resident of Maple Grove, Minnesota
Mark Misukanis (Ex Officio)	Director of Fiscal Policy and Research, Minnesota Office of Higher Education
Michael D. Ranum	Operations Manager, BWBR Architects, Inc., Resident of Circle Pines, Minnesota
David D. Rowland	Senior Vice President, The Travelers Companies, Inc., Resident of Eden Prairie, Minnesota

Marianne T. Remedios, Executive Director

Bond Counsel
McGrann Shea Carnival Straughn & Lamb, Chartered

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$14,890,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SEVEN-E
(Trustees of the Hamline University of Minnesota)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the “Authority”) and Trustees of the Hamline University, a Minnesota nonprofit corporation, as owner and operator of Hamline University, Saint Paul, Minnesota (the “University”), in connection with the issuance of the Authority's $14,890,000 Revenue Bonds, Series Seven-E (Trustees of the Hamline University of Minnesota) (the “Bonds” or the “Issue”).

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

The Bonds are also issued pursuant to the Trust Indenture (the “Indenture”) to be dated as of June 1, 2010 between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the “Loan Agreement”) to be dated as of June 1, 2010 between the University and the Authority, the Authority is loaning the Bond proceeds to the University and the University will covenant as a general obligation of the University to make Loan Repayments and deposits in amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due. The University will use Bond proceeds along with other funds to:

1. refinance the outstanding principal on a bank line of credit that has been used to finance various capital improvements for the University (the “Line of Credit”);
2. refund on a current refunding basis the outstanding principal of and accrued interest on the Authority’s Revenue Bonds, Series Five-B (Trustees of the Hamline University of Minnesota) (the “Series Five-B Bonds” or the “Refunded Bonds”);
3. fund a debt service reserve; and
4. pay certain issuance costs.

The Line of Credit financed improvements and renovations to several University buildings and the acquisition of property (the “Line of Credit Projects”) on or near the Saint Paul campus. The improvements financed by the Refunded Bonds consisted of the construction, furnishing, and equipping of an apartment-style student residence building with capacity for approximately 150 students in approximately 60 units, and related parking and site improvements, located on the University campus in Saint Paul (the “Series Five-B Project”). The facilities financed with the Line of Credit and the Refunded Bonds proceeds are referred to herein as the “Project Facilities.”

The outstanding principal amount of the Line of Credit being refinanced is $7,300,000. The principal amount of the Series Five-B Bonds being refunded is $6,515,000. See "USE OF PROCEEDS" herein for a more detailed description of the use of Bond proceeds.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the University. Under the Loan Agreement, the University agrees to provide the funds necessary to make timely payment of the Loan Repayments. See "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS" herein.

The Bonds are also secured by the Reserve Account created under the Indenture and held by the Trustee. The Reserve Account will be funded in the amount of the Reserve Requirement from proceeds of the Bonds. See "ACCOUNTS – Reserve Account."

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

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

RISK FACTORS

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

Risk of Insufficient Collateral

The Bonds are a general obligation of the University secured solely by (a) a pledge of amounts payable under the Loan Agreement, and (b) amounts in the Reserve Account and other accounts and funds which will be held by the Trustee and applied to the payment of principal, premium, if any, and interest on the Bonds. See "Appendix IV – DEFINITIONS OF CERTAIN TERMS – Reserve Requirement." The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that security for the Bonds will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due. The Bonds are not secured by a bond insurance policy, letter of credit or any other form of financial guarantee.

Limited Obligation

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, the Bonds or for other obligation of the University under such documents. Accordingly, for payment of principal and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the University under the Loan Agreement and the Reserve Account and other funds, if any, the Trustee holds under the Indenture.

Adequacy of Revenues

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

Competition

There is intense competition among institutions of higher education for students both nationally and within the upper Midwest region from which the University draws the majority of its students. Universities and colleges compete principally based on location, net tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the University could be adversely affected. In addition, competitive pressures could result in tuition reductions, the inability to raise tuition, or increases in financial aid in the form of discounted tuition, which could adversely affect the University's unrestricted net assets.

Changes in demographics, such as a decrease in the overall number of high school graduates or a decrease in the number of high school graduates who elect to go to college, could adversely affect the University's efforts to attract students.

Reliance on Tuition

The adequacy of University revenues will be largely dependent on the amount of future tuition revenue received by the University. Such revenue in turn will depend primarily on the ability of the University to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the University and accepting offers of admission. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges, a change in the number of college-age students generally, and adverse general economic conditions could influence the number of applicants to the University.

Financial Aid

In 2009 approximately 77% of the University's student body received some form of financial assistance through scholarships, grants, loans and work study, from federal, state, University or private sources covering at least a portion of tuition, fees and living expenses. See Appendix I, "THE UNIVERSITY – Financial Aid" herein. No assurance can be given that federal and state financial aid and private third party financing will continue to be funded at current levels or that the University will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

No assurance can be given that student loans will continue to be available to students and their parents at historical levels. Reductions in availability of such loans may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Damage or Destruction

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

Pro Forma Debt Service Coverage

Certain historical operating revenue for the University and computed pro forma debt service coverage is provided in Appendix I under the caption “Estimated Annual Debt Service and Pro Forma Coverage Statement.” The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of University revenues to satisfy University operations and Bond and other debt service requirements.

Bankruptcy

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

Variable Rate Demand Obligations

A portion of the University’s long-term debt is in the form of Variable Rate Demand Obligations (“VRDOs”). See Appendix I, “THE UNIVERSITY – Long Term Debt” herein. As of May 31, 2010, the University had outstanding $15,545,000 of VRDOs. The University’s VRDOs are secured by a letter of credit and are subject to certain risks.

(1) Holders of the University’s VRDOs have the right to tender their bonds to the University for purchase on any business day upon seven days notice. A remarketing agent is appointed for each series of VRDOs to remarket tendered bonds to other purchasers. If the remarketing agent cannot place any or all of the tendered bonds with other purchasers, the trustee for such issue is required to draw on the letter of credit to pay the purchase price for the tendered bonds. Purchased bonds become “Bank Bonds” (bonds purchased by the letter of credit provider (the “Bank”)). The current letter of credit reimbursement agreement between the University and the Bank requires the University to retire Bank Bonds in quarterly installments through the termination date set forth in the then outstanding letter of credit. The University may be required to retire Bank Bonds on a more accelerated schedule under the terms of an alternate letter of credit facility if the existing letter of credit is replaced in the future.

(2) The VRDO market is subject to market fluctuation due to a number of factors. Liquidity in the capital markets generally, and the VRDO market specifically, is subject to deterioration. In that event, the probability that the University’s outstanding VRDOs will be tendered and become “Bank Bonds” will likely rise.

(3) The quality of the Bank providing the letter of credit has played a significant role in whether VRDOs that are in the market will be tendered and successfully remarketed. The ratings assigned to a Bank on a VRDO issue may change over time and any downgrade of a Bank’s rating by the rating agencies, any Bank insolvency or any Bank default under the terms of the letter of credit related to a VRDO may cause the bonds to become “Bank Bonds.” The number of banking institutions providing letters of credit has declined significantly in recent years and this trend may continue into the future, which may make it difficult for the University to replace an existing letter of credit provider, or secure an alternate letter of credit if an existing letter of credit is not renewed at the end

of its stated term or is subject to early termination. Failure to find an alternate letter of credit when required will cause VRDO obligations to be subject to a mandatory tender for purchase.

The Bonds are not VRDOs. However, the failure to remarket University VRDOs following a mandatory or optional tender may limit funds available to make Loan Repayments to the Authority, and hence the ability to make timely payments on the Bonds.

Derivative Products

The University is a party to interest rate swap agreements pursuant to which the University has fixed its interest rate obligation with respect to certain VRDOs.. See Note 8 to the University's financial statements, Appendix VII hereto. The University may enter into other interest rate swap or similar arrangements in the future. Under certain market conditions, including current market conditions, termination of an interest rate swap agreement prior to its expiration may require the University to pay a termination fee to the swap counterparty. The amount of any termination fee is not material to the University under current market conditions, but such amount could be material in the future. See also Appendix I, "THE UNIVERSITY – Interest Rate Hedge" and "Long-Term Debt of the University."

Endowment Portfolio Risk

Market conditions that negatively affect the University's investments may adversely affect debt service coverage and endowment spending. The University's Board of Trustees has approved an investment policy which gives specific guidance about portfolio investments. The University's investment policy defines a diversified investment portfolio utilizing external money managers. The annual withdrawal from the endowment accounts for approximately 3.8% of the University's operating budget. The University's withdrawal formula is based upon a three year rolling average market value. See also Appendix I, "THE UNIVERSITY – Investment Management."

Other Possible Risk Factors

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

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

(2) Adoption of federal, State or local legislation or regulations, such as limits on tuition increases, having an adverse effect on the future operating or financial performance of the University.

(3) International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

See also "TAX EXEMPTION – Minnesota Tax Considerations" herein.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the University will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the University to the Municipal Securities Rulemaking Board annually, and to provide notices of the occurrence of any of the eleven events enumerated in the Rule to the Municipal Securities Rulemaking Board. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement to be executed by the University at the time the Bonds are delivered, a copy of which is available from the University or the Trustee. Appendix III, "Information to be Provided as Continuing Disclosure," contains a summary of the financial information and operating data to be provided annually, as well as the list of material events. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule.

Furthermore, the University has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the University determines that such modification is required or permitted by the Rule.

The University has never failed to comply in any material respect with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the University to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the University pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

The Bonds will be issued in book-entry form, will be dated as their date of delivery and will mature annually each October 1, commencing October 1, 2010, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing on any principal payment date, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing October 1, 2010.

Book Entry Only 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 detail on DTC, see Appendix VI, "THE DEPOSITORY TRUST COMPANY."

Prior Redemption

Mandatory Redemption

Bonds maturing on October 1, 2029 shall be called for redemption on October 1 in the years set forth below in the principal amounts thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Term Bonds Maturing
October 1, 2029

Year	Amount
2022	$355,000
2023	$375,000
2024	$395,000
2025	$415,000
2026	$440,000
2027	$460,000
2028	$480,000
2029*	$510,000

* *Stated maturity.*

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

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

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

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

Optional Redemption

The Bonds maturing on or after October 1, 2021 are subject to optional redemption at the University's direction on October 1, 2020 and on any day thereafter at par plus accrued interest. Redemption may be in whole or in part and if in part in such order of maturity as the University directs and selected by random means within a maturity, in integral multiples of $5,000.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at par and accrued interest in integral multiples of $5,000, as a whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities, and upon a Determination of Taxability as provided in the Loan Agreement (see “THE BONDS – Determination of Taxability” and “SUMMARY OF DOCUMENTS – The Loan Agreement”).

Partial Redemption

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

In the case of Bonds of denominations greater than $5,000, if fewer than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than twenty (20) days, and if more than 60 days, then again not less than 20 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

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

The University will have the option to prepay the Loan on the next date for which due notice of redemption can be given, in full or in part and on any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability and without a premium).

USE OF PROCEEDS

The Authority will loan Bond proceeds to the University that will, along with available University funds, if necessary, and moneys held by the Refunded Bonds Trustee and pledged to the payment of the Refunded Bonds, be used to:

1. refinance the outstanding principal balance of a Line of Credit that financed various capital improvements for the University;
2. refund on a current refunding basis the outstanding principal of and accrued interest on the Refunded Bonds;
3. fund a debt service reserve; and
4. pay certain issuance costs.

The outstanding principal amount of the Line of Credit of $7,300,000 is expected to be repaid on June 30, 2010. On the Closing Date, Bond proceeds sufficient for the repayment of the Line of Credit will be deposited in the Line of Credit Prepayment Account held by the Trustee.

The Refunded Bonds in the outstanding principal amount of $6,515,000 are expected to be redeemed on or about July 30, 2010 at a redemption price of par plus interest accrued to the redemption date. On the Closing Date, Bond proceeds for the refunding of the Refunded Bonds, together with balances in the reserve fund and other accounts held by the Refunded Bonds Trustee, will be deposited in the Refunded Bonds Redemption Account held by the Refunded Bonds Trustee. The Redemption Account will be funded with cash sufficient to provide for the defeasance and refunding of the outstanding Refunded Bonds. In accordance with the Prior Bond Indenture, the Refunded Bonds will no longer be considered outstanding under the Prior Bond Indenture upon such deposit for prepayment and will be payable solely from the Redemption Account.

The Refunded Bonds, to be prepaid and refunded, identified by CUSIP, are as follows:

Maturity Date October 1:	CUSIP: 604151	Maturity Date October 1:	CUSIP: 604151
2010	4C 1	2019*	4D 9
2014*	4F 4	2029*	4E 7

* *Term Bonds*

SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Bonds	$14,890,000
Funds held by Refunded Bonds Trustee	582,633
Reoffering Premium	110,144
Total Sources	$15,582,777
Uses of Funds	
Deposit to Refunding Account	$ 6,644,247
Deposit to Line of Credit Prepayment Account	7,300,000
Deposit to Reserve Account	1,424,883
Deposit to Bond and Interest Sinking Fund Account	1,753
Costs of Issuance, including Underwriter Discount	211,894
Total Uses	$15,582,777

SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS

Source of Payment

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

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the University, the Reserve Account and other funds the Trustee holds under the Indenture. The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The University agrees to make such payments out of its operating funds or any other moneys legally available.

The University will covenant and agree to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the University as they become due.

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

The Bonds will not be secured by the General Bond Reserve of the Authority (see "GENERAL BOND RESERVE ACCOUNT").

The University will also covenant that so long as the Bonds shall remain outstanding:

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

b. Commencing with the Fiscal Year ending June 30, 2010, and at the end of each Fiscal Year thereafter, Unrestricted Liquid Funds shall be not less than $2,000,000. Within 120 days after the end of each Fiscal Year, the University shall furnish to the Trustee a certificate of an Authorized Institution Representative showing the Unrestricted Liquid Funds as of the end of the Fiscal Year. If at the end of any Fiscal Year, Unrestricted Liquid Funds does not equal or exceed $2,000,000, the University shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the University for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

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

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

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means Change in Operating Net Assets, as reported in the Unrestricted column of the Statement of Activities included in the audited financial statements of the University (or, in the event that the University changes the presentation of its financial statements following the date hereof, the equivalent figure in such presentation), adjusted to: (a) exclude depreciation and amortization expense; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment and not funded through operations, and (c) exclude non-cash items that may be included in unrestricted operating revenues and unrestricted operating expenses in the Statement of Activities.

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

“Funded Debt” means (i) indebtedness for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such obligations and indebtedness having a maturity date of one year or less if the maturity date may be extended beyond one year at the option of the University, and (ii) capital leases as defined by generally accepted accounting principals including lease rental obligations from the date of incurrence or assumption thereof by the University, which are shown on the balance sheet as a liability.

"Maximum Annual Debt Service" means the largest total amount of principal of and interest on Funded Debt payable by the University in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding subject to the following:

(i) if any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal Year or, at the election of the University, for the then current interest period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the initial variable rate as estimated by an Independent Management Consultant, or an investment banking firm selected by the University to underwrite the sale of such variable rate indebtedness; provided, however, if the University has entered into an interest rate swap agreement with a counterparty for the term of such Funded Debt pursuant to which the University has agreed to pay such counterparty an amount equal to interest at a fixed rate in exchange for such counterparty’s agreement to pay the University interest on the notional amount of the swap agreement at the specified variable rate, then the rate of interest on such Funded Debt shall be computed at the fixed rate set forth in such interest rate swap agreement;

(ii) if any part of the Funded Debt outstanding or to be issued is a guarantee by the University of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the University having borrowed money to relend to a third person), such Funded Debt shall be excluded if the third person (whose debt is guaranteed or whose payments are expected to service the University’s obligations with respect to such Funded Debt) had a Debt Service Coverage Ratio (including the amount of debt proposed to be incurred in the computation of debt service) of at least 200% then 100% of such Funded Debt shall be excluded; if such Debt Service Coverage Ratio is at least 150%, then 50% of such Funded Debt shall be excluded; if such Debt Service Coverage Ratio is at least 125%, then 25% of such Funded Debt shall be excluded; and if such Debt Service Coverage Ratio is below 125%, then none of such Funded Debt shall be excluded;

(iii) the amount of debt service with respect to "balloon indebtedness" may, at the option of the University be calculated on a level debt service basis over the period ending the Fiscal Year when the balloon is payable; as used herein, "balloon indebtedness" means Funded Debt 25% or more of the principal of which is due in any 12 month period;

(iv) the amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of principal of or interest on such indebtedness which the University may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the University may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the University, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt (A) which the University may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years;

(v) there shall not be taken into account any part of the Funded Debt of the University which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from monies and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America;

(vi) if any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account;

(vii) if any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee; and

(viii) the amount of any reserve fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve fund moneys may be used without creating a default.

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

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

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

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the University's auditors in the report of the University's financial statements for the Fiscal Year ended June 30, 2009.

Negative Pledge

The University covenants that, except for Permitted Encumbrances and except as otherwise permitted by the Loan Agreement, it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in or permit the creation of any encumbrance on the Project Facilities.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Refunding Account, a Costs of Issuance Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of the original issue and sale of the Bonds are to be deposited into the Costs of Issuance Account, the Refunding Account, the Bond and Interest Sinking Fund Account, and the Reserve Account, as described below. Following Bond closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, 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 the Bonds when due.

Refunding Account

On the Issue Date, there shall be deposited into the Refunding Account Bond proceeds in an amount sufficient, together with funds in the Refunded Bonds Trustee's possession and available therefore and additional University funds, if necessary, to fully redeem the principal of and accrued interest on the Refunded Bonds. Monies in the Refunding Account shall immediately be transferred to the Refunded Bonds Redemption Account established under the Series Five-B Indenture in amounts sufficient, together with such other funds, to fully redeem the Refunded Bonds on or about July 30, 2010.

Line of Credit Prepayment Account

On the Issue Date, there shall be deposited into the Line of Credit Prepayment Account proceeds of the Bonds for the prepayment of all outstanding principal of the Line of Credit on June 30, 2010, in the amount of $7,300,000. The University will pay accrued interest due on the Line of Credit on June 30, 2010 with other available funds.

Costs of Issuance Account

Initially there shall be deposited into the Costs of Issuance Account an amount of Bond proceeds specified in the Indenture, not to exceed two percent (2%) of the net Bond proceeds and funds contributed by the University to pay costs of issuance in excess of the 2% of net Bond proceeds. The University may present invoices to the Trustee representing costs incurred in connection with the issuance of the Bonds which the Trustee shall pay from the Costs of Issuance Account. Any moneys remaining in the Costs of Issuance Account after six months following the Bonds' delivery date shall be transferred to the Bond and Interest Sinking Fund Account.

Bond and Interest Sinking Fund Account

Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. Deposits into the Bond and Interest Sinking Fund Account shall be made at least five (5) Business Days prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

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

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the University shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of the first day of the calendar month next preceding October 1, 2010 and each Interest Payment Date thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the amount of the Reserve Requirement or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not more than 30 days.

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

Redemption Account

There shall be deposited into 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 Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; second, to create and maintain the Reserve Requirement in the Reserve Account; and, third, for the redemption of outstanding Bonds at the request or direction of the University and for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by Minnesota law from time to time. Section 5.04 of the Indenture sets forth specific parameters as to type, credit quality, and maturity of investments. See Appendix V, “SUMMARY OF DOCUMENTS – The Indenture” herein.

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. **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.** The General Bond Reserve Account has not been used to secure Authority bonds since 1984.

FUTURE FINANCING

The University regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The University anticipates the construction of a new 75,000 square foot University Center in 2011 for which the University will request the Authority to issue approximately $40,000,000 of revenue bonds on its behalf. Prior to the commencement of the financing and construction of the University Center, the University expects to obtain substantial gift pledges that will reduce the long-term financing of the University Center.

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 Office of Higher Education 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 $1.3 billion. The Authority has had 174 issues (including refunded and retired issues) totaling over $1.7 billion, of which approximately $884 million is outstanding as of June 1, 2010. 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 Bonds. In preparing the Official Statement, the Financial Advisor has relied upon University officials and other sources who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets Corporation (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a purchase price of $14,918,249.10 (representing the aggregate principal amount of the Bonds less an underwriter’s discount of $81,895.00 and adjusted for net original issue premium of $110,144.10).

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

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

RATING

As noted on the cover page hereof, Moody's Investors Service (“Moody’s”) has assigned a long-term rating of “Baa1” to the Bonds. The rating reflects only the view of such rating agency. Any explanation of the significance of such rating may be obtained only from Moody's.

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 Bonds.

LITIGATION

The Authority and the University are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, or materially affect the ability of the University to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

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

Certain legal matters will be passed upon for the University by Oppenheimer Wolff & Donnelly LLP, of Minneapolis, Minnesota and for the Underwriter by Faegre & Benson LLP, of Minneapolis, Minnesota.

TAX EXEMPTION

Federal Tax Considerations

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

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

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 Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, the interest is includable in “adjusted current earnings” for purposes of computing the federal alternative minimum taxable income of corporations.

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

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

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

Minnesota Tax Considerations

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 Bonds is not includable in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision would apply to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

Original Issue Premium

Certain maturities of the Bonds have been sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Original Issue Discount

The dollar amount of the initial offering price to the public of the Bonds maturing in 2018, 2019 (bearing interest at 4.25%), 2020, 2021, and 2029 (the “Discount Bonds”) is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

It is possible under the applicable provisions governing state and local income taxation in states other than Minnesota that interest on Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law. Bondholders who acquire the Bonds at a discount should consult their tax advisors with respect to the state and local tax consequences of owning the Discount Bonds.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

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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 School of Education, the School of Business, the Graduate School of Liberal Studies, and the School of Law. The Schools of Education and Business offer both undergraduate and graduate programs. 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 masters large universities, *U.S. News and World Report* ranked Hamline first in Minnesota, 9th out of 139 universities in the Midwest and among the nation's leading universities in its 2010 report. The University has ranked in the top nine leading universities in the Midwest since 2001. The School of Law's Alternative Dispute Resolution program is ranked second in the nation by *U.S. News and World Report.* The University's Health Law Institute, founded four years ago, was ranked 18th 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 Colleges and Schools; American Chemical Society; National Association of Schools of Music; University Senate of the United Methodist Church; and the Minnesota Department of Education/Board of Teaching. The School of Law is also accredited by the North Central Association of Colleges and Schools and is accredited by the American Bar Association and the American Association of Law Schools. The School of Education is accredited by the North Central Association of Colleges and Schools, National Council for Accreditation of Teacher Education, and the Minnesota Department of Education/Board of Teaching.

Governance

Hamline University is owned and operated by Trustees of the Hamline University of Minnesota. By charter, approximately 27 percent of the Trustees must be members of the Minnesota Annual Conference of the United Methodist Church. There are currently 34 Trustees, including 16 Life Trustees. Officers and Trustees of the University are elected by the University's Board of Trustees 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 2009-2010

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.

Life Trustees:

Management

President

Dr. Linda N. Hanson was elected in 2005 as the 19th President of Hamline University. Under Dr. Hanson's leadership, the University launched a Masters of Business Administration program and aligned undergraduate and graduate programs in a School of Business and a School of Education. A new Center for Business Law and Masters of Fine Arts in Young Adult and Children's Literature were created in 2007–08. In 2006 Dr. Hanson led the university through the development of a comprehensive, university-wide strategic plan, "Creating Pathways to Distinction", which describes the University's academic vision and strategies to innovate in the tradition of liberal arts and professional education.

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.

Vice President for Finance

Douglas P. Anderson was named as the University's Vice President for Finance in August 2002. Mr. Anderson is also the Assistant Treasurer. He has responsibility for Finance, Investments, Information Technology Services, and the Facilities Services Group. Vice President Anderson also serves as the chair of the President's Administrative Cabinet.

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 from 2000 to 2006. Prior to his Dean position, he was the Chair of the University of Toledo's Philosophy Department from 1995-1999. From 1985 to 1999, Dr. Stern has taught Philosophy at the University of Toledo, Louisiana State University and the University of California San Diego. 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 Enrollment and Marketing

John Pyle was appointed in 2008 as Vice President to lead the newly created Department of Enrollment and Marketing. He is responsible for institutional identity and enrollment accountability. Dr. Pyle came to the University in 2006 to lead the University's growth-oriented strategic planning process. He served as the Chief Planning Officer for the University in academic and administrative areas and was responsible for the development, implementation, and monitoring of the yearly action plan and supporting operational planning efforts of the administrative areas.

Dr. Pyle received his doctor of education in leadership degree from Saint Mary's University of Minnesota, his master of arts in educational leadership from Immaculata College in Pennsylvania, and his bachelor of arts in political science with a minor in Spanish at Kutztown University in Pennsylvania.

Vice President of Human Resources and General Counsel

Catherine Wassberg was named as Vice President of Human Resources and General Counsel in March 2009. Ms. Wassberg oversees all legal matters for the University, providing legal advice to the University leadership and Board of Trustees. In addition, Ms Wassberg provides leadership and guidance to the University on human resources strategies and direction, including faculty and staff development. Ms. Wassberg was the Managing Director of Corporate Human Resources and Associate General Counsel for Northwest Airlines/Delta prior to joining the University. Previously, Ms. Wassberg also was partner and co-chair of the labor and employment group within the law firm of Jenner & Block in Chicago, Illinois. Ms. Wassberg received her B.A. from Northern Illinois University and her J.D. from the University of Chicago Law School.

Vice President for Development and Alumni

Tony Grundhauser was named Vice President of Development and Alumni Relations in June 2009. Mr. Grundhauser is responsible for the University’s annual fund and capital campaign, providing leadership and management of the University’s Development and Alumni Relations departments. Prior to joining the University, Mr. Grundhauser was the Director of Individual Gifts for Macalester College in Saint Paul, Minnesota. Mr. Grundhauser has provided leadership in fundraising campaigns in positions with the Nature Conservatory the Minnesota Environmental Fund. Mr. Grundhauser received his B.A. from Saint Olaf College and his masters of teaching degree and has completed the Mini-MBA program in Nonprofit Management at the University of Saint Thomas.

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. Seventeen principal academic and administrative buildings, six residence halls and one student apartment building and other smaller buildings comprise the campus physical plant.

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. In 2004 the University opened the innovative Klas Center combining a new sports stadium with a community and learning facility, including casual dining, an outdoor plaza, classroom and conference space, and a third-level ballroom with views of the fields and Old Main Mall.

The residence halls and apartments on campus house approximately 827 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.

In the fall of 2008, the University opened its Minneapolis campus, where it offers Masters degree level programs in business and education. The Minneapolis campus occupies 32,000 square feet in the 1600 Tower Building located at the intersection of I-394 and Highway 100. The Minneapolis campus includes classrooms, faculty offices, an admissions office, student services and a bookstore.

Libraries

The Bush Memorial Library houses in excess of 200,000 books and periodicals. The library also maintains a variety of non-print media, including current electronic databases and reference sources. The library belongs to a fourteen library network within eight institutions, which provides rapid access to a collection of more than 1.5 million volumes.

The School of Law library houses almost 300,000 volumes and electronic databases. 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

Within the University's five schools, undergraduate and graduate programs are offered in all but the School of Law. As a result, the following information is represented by student type.

<u>Undergraduate</u>

Hamline University is categorized as a "Master's Colleges and Universities (larger programs)", according to the Carnegie Council on Policy Studies in Higher Education. The University offers bachelor's degrees in 38 areas of study and has a faculty to student ratio of 12 to 1.

The University offers both the Bachelor of Arts degree and the Bachelor of Science degree in the College of Liberal Arts, the School of Business and the School of Education. During the 2009-10 academic year, the University awarded 457 undergraduate 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: Augsburg College, Macalester College, Saint Catherine University, University of Saint Thomas and the University. 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 a variety of international study programs.

<u>Law</u>

The present Hamline University School of Law was founded in 1972 as the Midwestern School of Law, and became affiliated with Hamline University in 1976. During the 2009-10 academic year, the University awarded 202 Juris Doctorate degrees and three L.L.M. degrees.

The School of Law offers a broad curriculum with opportunities to focus within 12 areas of legal specialty, as well as two nationally ranked Centers of Excellence. The curriculum is designed to be completed in six academic semesters and offers flexible scheduling to accommodate the needs of working adult students.

Graduate

In 1980 the Division of Graduate and Continuing Studies within the College of Liberal Arts was founded. It became an independent unit of the University in the fall of 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. Over the past several years, these graduate schools were aligned with the new University structure, which created the School of Business and the School of Education.

The three schools with graduate programs offer nine Master of Arts degrees and two doctoral degrees. During the 2009-10 academic year, 556 Masters Degrees and ten 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 2005-06 through 2009-10 are set forth below:

	Undergraduate		Graduate		School of Law		Total University	
	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count
2005-06	1,979	2,046	939	1,791	584	713	3,502	4,550
2006-07	1,937	2,014	909	1,841	585	724	3,431	4,579
2007-08	2,021	2,100	1,021	2,005	577	698	3,619	4,803
2008-09	1,986	2,053	1,214	2,108	588	715	3,788	4,876
2009-10	1,846	1,921	1,494	2,592	543	653	3,883	5,166

Source: Hamline University.

Undergraduate (Freshman) Applications, Admissions and Enrollments

	2005-06	2006-07	2007-08	2008-09	2009-10
Applications	1,766	1,867	2,018	2,234	2,176
Offers of Admission	1,417	1,424	1,570	1,784	1,637
Percentage Admitted	80%	76%	78%	80%	75%
Enrolled	461	424	458	452	400
Percentage Admitted Enrolled	33%	30%	29%	25%	24%
Median ACT Scores of Enrolled First-Year Students	24	23	24	24	24

Geographic Distribution of Fall Undergraduate Student Body

State:	Number of Students				
	2005-06	2006-07	2007-08	2008-09	2009-10
Minnesota	1,596	1,536	1,610	1,592	1,478
Wisconsin	120	130	116	112	112
Washington	12	13	9	9	9
Oregon	13	12	11	9	9
North Dakota	11	11	15	19	13
Iowa	13	11	20	21	19
Other States	108	124	126	123	127
International	61	62	68	68	55
Unreported	10	3	11	4	4
Total	1,944	1,902	1,986	1,957	1,826

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
2004	447	83	76	73	61	69
2005	461	81	72	67	59	
2006	424	82	70	61		
2007	458	79	69			
2008	454	78				
2009	400					

Law School Applications, Admissions and Enrollment

	2005-06	2006-07	2007-08	2008-09	2009-10
Applications	1,610	1,514	1,405	1,450	1,510
Offers of Admission	688	656	713	700	744
Percentage Admitted	43%	43%	51%	48%	49%
Enrolled	226	250	225	233	206
Percentage Enrolled	33%	38%	32%	33%	28%
Average LSAT Score	155	155	155	153	155

Geographic Distribution of Fall Law School First Year Class

State:	Number of Students				
	2005-06	2006-07	2007-08	2008-09	2009-10
Minnesota	134	152	160	174	160
Wisconsin	22	38	28	22	26
Illinois	4	5	2	6	2
North Dakota	2	4	3	3	2
California	4	0	3	0	2
South Dakota	0	4	2	0	1
Other States	50	40	17	27	11
International	1	1	10	1	2
Total	217	244	225	233	206

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[a] 2nd Year	3rd Year	Percent of Graduates in Third Yr. to First Yr. Class[b]
2004	230	98	90	74
2005	217	92	90	72
2006	244	91	91	74
2007	218	94	93	
2008	232	86		
2009	206			

(a) *May include transfer students.*

(b) *Does not include transfer students. Retention and graduation rate are calculated as a percentage of the actual starting first-year cohort*

Faculty and Staff – 2009-10

Undergraduate/Graduate Full-Time Faculty	19
Undergraduate/Graduate Part-Time Faculty	2
Undergraduate Full-Time Faculty	96
Undergraduate Part-Time Faculty	79
Graduate Full-Time Faculty	38
Graduate Part-Time Faculty	183
Law School Full-Time Faculty	28
Law School Part-Time Faculty	41
Administrative Full-Time Staff	372
Total Faculty and Staff	858

Faculty by Rank and Average Salary – 2009-2010

	Total Number	Average Base Salary	Number Tenured
Professor	74	$90,365	65
Associate Professor	60	$68,942	33
Assistant Professor	60	$58,566	0
Instructor	11	$59,680	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.

	2006-07	2007-08	2008-09	2009-10	2010-11
Tuition	$24,585	$26,060	$27,620	$28,862	$30,016
Room & Board	7,072	7,392	7,784	8,232	8,396
Student Fees	454	473	532	473	537
Total	$32,111	$33,925	$35,936	$37,567	$38,949

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.

	2006-07	2007-08	2008-09	2009-10	2010-11
Law School Tuition	$26,785	$28,392	$30,096	$31,600	$33,022

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.

	2006-07	2007-08	2008-09	2009-10	2010-11
Graduate School					
Master's					
Education	$320	$333	$333	$344	$356
Teaching	$396	$396	$412	$426	$443
Literacy				$344	$356
Public Administration	$392	$404	$424	$443	$443
Liberal Studies	$377	$392	$404	$416	$428
Fine Arts	$377	$400	$416	$428	$441
Children's Literature	$484	$508	$528	$549	$566
NonProfit Management	$392	$404	$424	$443	$443
Business Admin.		$525	$550	$575	$586
Doctoral					
Education	$530	$551	$580	$600	$624
Business	$569	$626	$657	$687	$700

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COMPREHENSIVE CHARGES FOR 2010-2011
AT MINNESOTA'S PRIVATE COLLEGES

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$41,304	$10,806	$52,110
Macalester College	$40,046	$ 9,087	$49,124
St. Olaf College	$36,800	$ 8,500	$45,300
Gustavus Adolphus College	$33,858	$ 8,400	$42,258
College of Saint Benedict	$32,246	$ 8,652	$40,898
Saint John's University	$31,576	$ 8,044	$39,620
Hamline University	**$30,763**	**$ 8,396**	**$39,159**
University of St. Thomas	$30,493	$ 8,320	$38,813
St. Catherine University	$30,168	$ 7,658	$37,826
Augsburg College	$28,864	$ 7,760	$36,624
Bethel University	$28,080	$ 8,220	$36,300
Minneapolis College of Art & Design	$29,700	$ 6,530	$36,230
College of St. Scholastica	$28,374	$ 7,498	$35,872
Concordia University (St. Paul)	$27,400	$ 7,500	$34,900
Concordia College (Moorhead)	$27,160	$ 6,510	$33,670
Saint Mary's University of Minnesota	$26,090	$ 6,940	$33,030
Bethany Lutheran College	$20,950	$ 6,500	$27,450
Average	$30,816	$ 7,960	$38,776

* *These are standard charges for first-time, full time, full academic year undergraduate students, including fees assessed on all undergraduates. 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. 94% 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 Council, website at:
http://www.mnprivatecolleges.org/paying/tuition.php
as of June 23, 2010.

Financial Aid

Approximately 77% of the total student body received some form of financial aid in Fiscal Year 2009. The following table is a five-year summary of financial aid received from University and non-University sources.

Fiscal Year Ending	2005	2006	2007	2008	2009
Federal:					
Pell Grants	$ 1,402,243	$ 1,240,644	$ 1,246,575	$ 1,524,970	$ 1,683,235
SEO Grants	442,292	452,899	456,663	286,114	453,804
ACG Grants:	0	0	0	0	82,800
SMART Grants:	0	0	0	0	36,000
Stafford Loans:	13,066,048	13,470,270	13,383,595	14,709,592	15,604,238
Supplemental Loans:	14,018,762	15,366,309	18,574,942	23,903,393	28,530,667
Work-Study	375,401	417,039	505,521	699,547	526,944
Perkins Loans	2,944,026	1,487,668	1,103,559	839,099	700,957
Minnesota:					
Grants	2,446,385	2,410,076	2,843,563	2,795,765	2,444,950
SELF Loans	219,302	165,528	154,527	260,750	347,873
Work Study	215,000	223,394	249,812	275,010	270,509
University Grants	17,763,298	19,229,175	21,084,694	23,306,051	22,387,047
Other	640,446	411,759	525,799	400,088	1,971,536
Total Financial Aid	$53,533,203	$54,874,761	$60,129,250	$69,000,379	$75,040,560
Number of Students Receiving Financial Aid	3,534	3,642	3,716	3,610	3,990

Retirement Plan

The University participates in the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) program which covers certain full-time faculty and staff employees. Effective November 1, 2009, the University annually contributes 5% of eligible employees' salaries, plus the University makes an additional 2.5% contribution if matched dollar for dollar by an employee. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. The University contributed $3,102,347 to the retirement plan for the fiscal year ended June 30, 2009.

Capital Campaign

The University completed a $150 million capital campaign in June 2005 and raised $156 million, exceeding its goal. The University is in a quiet phase of a capital campaign for the University Center.

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
2009	$1,988,411	$5,358,000	$1,332,513	$ 8,678,924
2008	$2,587,780	$4,793,469	$3,510,010	$10,891,259
2007	$2,658,061	$4,245,399	$2,132,039	$ 9,035,499
2006	$1,771,345	$4,266,625	$3,304,101	$ 9,342,071
2005	$1,844,224	$5,840,443	$2,177,215	$ 9,861,882

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.

Fiscal Year Ending 6/30[(a)]	2005	2006	2007	2008	2009
Permanent Endowment	$43,470,855	$46,756,347	$48,747,917	$52,253,737	$54,088,977
Temporary Endowment					3,790,954
Unrestricted Endowment[(b)]	15,697,906	20,074,694	31,463,088	22,767,439	1,532,350
Subtotal Pooled Endowment Funds	$59,168,761	$66,831,041	$80,211,005	$75,021,176	$59,412,281
Split-Interest Agreements	4,336,354	4,294,997	4,940,230	3,974,861	3,202,808
Unrestricted Funds	3,752,392	3,567,370	3,208,668	184,504	158,968
Total Investments	$67,257,507	$74,693,408	$88,359,903	$79,180,541	$62,774,057

(a) *The Board of Trustees adopted FSP 117-1/UPMIFA beginning with Fiscal Year 2009 and reclassified certain assets to conform with the required presentation. The temporary endowment now holds the gains related to all permanent endowment funds where the market value at June 30, 2009 exceeds the book value on a fund by fund basis. Prior to Fiscal Year 2009, the combined gains and losses were accounted for in the unrestricted fund.*

(b) *Includes Board Designated Endowment Funds.*

For the first nine months of Fiscal Year 2010, the University's endowment funds were as follows:

	Unaudited as of March 31, 2010
Permanent Endowment	$56,934,036
Temporary Endowment	5,484,801
Unrestricted Endowment	5,112,532
Subtotal Pooled Endowment Funds	$67,531,369
Split-Interest Agreements	5,896,257
Unrestricted Funds	158,965
Total Investments	$73,586,591

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.

Investment Management

The University's current investment policy states the Board of Trustees intention to spend 4.5% of the rolling three-year market value of the endowment assets. The spending rate may be changed at the discretion of the Board of Trustees in any one year to achieve strategic objectives of the University. The total return objective of the endowment is to achieve an annualized total return after investment management fees of 5.5% in excess of inflation as measured by the Consumer Price Index.

An Investment Committee is appointed by the Board of Trustees and is charged with setting the asset allocation of investments across asset classes, developing investment objectives and performance measures, selecting investment managers and consultants and reviewing and evaluating investment results. Investment performance reviews of all endowment funds are conducted not less than quarterly to ascertain progress against the return objectives. Certain events, such as deviations from expected investment performance or changes in fund management organizations, trigger automatic formal performance reviews of investment managers.

The investment policy sets forth the following asset allocation targets:

	Target	Maximum	Minimum
Equities			
International	15.0%	20.0%	10.0%
Domestic	30.0%	55.0%	15.0%
Fixed Income – Domestic and Global Bonds	15.0%	20.0%	10.0%
Fund of Hedge Funds	20.0%	25.0%	15.0%
Fund of Private Equity Funds	10.0%	15.0%	5.0%
Real Assets	10.0%	15.0%	5.0%

The Investment Committee reviews the asset allocation targets on an annual basis and not less than quarterly the Vice President for Finance reviews asset allocations to determine that investments are within the established ranges. The asset allocation of the University's investments as of June 30, 2009 is set forth in Note 3 to its financial statements found in Appendix VII.

Presentation of Financial Statements

The following table sets forth the University's statements for unrestricted activities for the Fiscal Years ended June 30, 2005 through 2009. This table should be read in conjunction with the financial statements for Fiscal Years ended June 30, 2009 and 2008 found in Appendix VII.

Hamline University of Minnesota
Statements of Activities Unrestricted Funds
For the years ended June 30

	2005	2006	2007	2008	2009
Revenue:					
Tuition and Fees	$ 67,830,731	$ 73,773,392	$ 77,798,533	$ 85,131,330	$ 92,068,031
Less:					
Unfunded Student Aid	16,828,601	18,212,919	20,039,601	22,241,077	22,387,047
Funded Student Aid	2,072,530	1,874,317	2,101,977	2,110,388	2,417,360
Net Student Tuition and Fees	48,929,600	53,686,156	55,656,955	60,779,865	67,263,624
Government Grants	227,074	150,246	113,573	106,580	133,007
Contributions	1,617,150	1,621,099	2,544,488	2,481,200	1,855,404
Investment Income (Loss), Net	948,548	1,552,443	1,748,942	1,216,645	1,035,641
Realized and Unrealized Gains (Losses) on Investments	593,437	443,434	-	-	-
Sale and Services of Educational Activities	629,202	594,021	587,273	460,168	396,905
Other Sources	684,875	712,085	771,160	841,603	1,017,554
Auxiliary Enterprises	7,580,255	7,896,047	6,646,006	7,488,928	7,233,617
Net Assets Released from Restrictions	6,906,586	7,010,922	7,771,428	7,929,122	7,616,111
Total Revenue	68,116,727	73,666,453	75,839,825	81,304,111	86,551,863
Expenses:					
Instruction	25,836,723	27,314,106	28,560,701	30,227,494	32,869,052
Academic Support	11,326,523	12,543,936	13,525,437	15,588,533	16,578,851
Research	231,923	160,042	236,132	205,136	198,325
Public Service	701,462	886,799	1,187,890	1,156,201	1,318,784
Student Services	10,345,069	10,964,426	11,906,472	12,081,794	13,031,327
Institutional Support	10,965,225	11,325,200	11,439,557	12,391,282	13,101,376
Auxiliary Enterprises	8,536,953	9,257,784	8,438,363	8,880,096	9,081,786
Total Expenses	67,943,878	72,452,292	75,294,552	80,530,536	86,179,501
CHANGE IN OPERATING ASSETS	172,849	1,214,161	545,273	773,575	372,362
Investment Income (Loss) in Excess of Spending Rate	929,711	5,499,020	9,392,291	(9,749,897)	(14,856,223)
Appropriation of Endowment Assets for Expenditure	-	-	-		(3,291,122)
Current Year Impact of Restatement		51,513	94,244	-	-
Facility Net Assets Released from Restrictions	7,772,446	2,263,737	-	-	-
Board Designated Unrestricted Spending	(84,548)	(94,129)	(149,324)	(230,580)	(383,226)
CHANGE IN NET ASSETS BEFORE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	8,790,458	8,934,302	9,882,484	(9,206,902)	(18,158,209)
Change in Accounting Principle	-	(134,102)	235,288	-	(4,300,436)
CHANGE IN NET ASSETS	8,790,458	8,800,200	10,117,772	(9,206,902)	(22,458,645)
Net Assets - Beginning of Year Before Restatement	48,854,358	57,644,816	67,736,325	77,854,097	68,647,195
Restatement of Prior Year Net Assets	-	1,291,309	-	-	-
Net Assets - Beginning of Year, Restated	-	58,936,125	-	-	-
NET ASSETS - END OF YEAR	$ 57,644,816	$ 67,736,325	$ 77,854,097	$ 68,647,195	$ 46,188,550

Source: Audited Financial Statements of the University.

Line of Credit

Harris N.A. currently provides a $8,315,000 revolving Line of Credit to the University for short-term borrowing. A portion of the proceeds of the Bonds will be used to repay the outstanding balance of $7,300,000 under the Line of Credit. The University expects to amend the Line of Credit following the repayment to reduce the available line of credit to $5,000,000.

Long-Term Debt of the University

The University's long-term debt outstanding as of May 1, 2010, is as follows:

1. $7,750,000 MHEFA Revenue Bonds, Series Five-B, dated September 1, 1999. The bonds are secured by the full faith and credit of the University and a debt service reserve account. The bonds are fixed rate bearing interest rates from 4.45% to 6.00% per annum. The Series Five-B Bonds will mature on October 1, 2029. The outstanding principal balance is $6,515,000. **The Series Five-B Bonds will be fully refunded with the proceeds of the Bonds.**

2. $450,000 commercial note dated August 2006, bearing interest at 0%. The note is payable in annual installments of $50,000; $350,000 is outstanding. The note is unsecured.

3. $9,580,000* Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-E1, dated June 30, 2005. The bonds are secured by the full faith and credit of the University and a bank letter of credit. Interest on the Series Six-E1 Bonds is calculated at variable rates and averaged 1.37% per annum during Fiscal Year 2009. The Series Six-E1 Bonds will mature on October 1, 2016. The University has agreed with Harris N.A., the issuer of the letter of credit, to cause partial optional redemptions annually pursuant to the terms of the Letter of Credit and Reimbursement Agreement. The outstanding principal balance is $6,300,000.

4. $8,580,000* Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-E2, dated June 30, 2005. The bonds are secured by the full faith and credit of the University and a bank letter of credit. Interest on the Series Six-E2 Bonds is calculated at variable rates and averaged 1.37% per annum during Fiscal Year 2009. The Series Six-E2 Bonds will mature on October 1, 2025. The University has agreed with Harris N.A., the issuer of the letter of credit, to cause partial optional redemptions annually pursuant to the terms of the Letter of Credit and Reimbursement Agreement. The outstanding principal balance is $7,635,000.

5. $2,195,000* Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-E3, dated August 24, 2006. The bonds are secured by the full faith and credit of the University and a bank letter of credit. Interest on the Series Six-E3 Bonds is calculated at variable rates and averaged 1.37% per annum during Fiscal Year 2009. The Series Six-E3 Bonds will mature on October 1, 2016. The University has agreed with Harris N.A., the issuer of the letter of credit, to cause partial optional redemptions annually pursuant to the terms of the Letter of Credit and Reimbursement Agreement. The outstanding principal balance is $1,610,000.

* *See "RISK FACTORS – Variable Rate Demand Obligations" herein.*

Interest Rate Hedge

To hedge interest rate exposure on a portion of its Variable Rate debt, the University has entered into a fixed-pay interest rate swap which is summarized below.

Bond Issue:	MHEFA Series Six-E1
Counterparty:	Royal Bank of Canada
Current notional amount:	$6,300,000
Termination Date:	October 1, 2016
Rate paid by Counterparty:	SIFMA
Rate paid by University:	3.4092%
Estimated fair value*:	$(356,788)

**As of May 31, 2010*

Royal Bank of Canada is the parent company of RBC Capital Markets Corporation, the underwriter of the Bonds.

Estimated Annual Debt Service and Pro Forma Coverage Statement

The following table displays the pro forma debt service coverage for outstanding University funded debt, excluding the debt service on the Series Five-B Bonds to be refunded with the proceeds of the Bonds and including the debt service on the Bonds. Coverage is calculated based on net income available for debt service for Fiscal Years 2008 and 2009 and estimated maximum annual debt service (MADS). The amount available for debt service is detailed in footnote (b) to the table.

Any additional University indebtedness will increase the University's debt service requirements in the future and may reduce the pro forma debt service coverage ratio shown in the table.

The table is intended merely to show the relationship of amounts available for the University's debt service for Fiscal Years 2008 and 2009 to MADS based on existing outstanding University debt, excluding the Refunded Bonds and assuming issuance of the Bonds. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the University. There is no assurance that the future amounts available for debt service and debt service coverage of the University or the respective relationships thereof will correspond to the pro forma amount available for debt service, pro forma debt service coverage, combined estimated long-term debt service or the respective relationships thereof shown by or reflected in the following table.

Maximum Annual Debt Service and Pro Forma Coverage

Fiscal Year Ending June 30	Amount Available for Debt Service[(a)]	MADS[(b)]	Coverage (times)
2009	$8,247,121	$2,833,138	2.91
2008	$8,048,661	$2,833,138	2.84

(a) *The net income available for debt service, based on the University's audited financial statements for Fiscal Years 2008 and 2009 is calculated as shown below.*

		Fiscal Year 2009	*Fiscal Year 2008*
Unrestricted net operating income		*$ 372,362*	*$ 773,575*
Plus:	*Depreciation*	*6,517,809*	*6,043,289*
Plus:	*Interest expense*	*1,356,950*	*1,231,797*
Less:	*Net assets released from restrictions for land, buildings and equipment*	*-*	*-*
Net income available for debt service		*$8,247,121*	*$8,048,661*

(b) *Includes debt service for the University's outstanding debt, other than the Series Five-B Bonds, and includes the debt service for the Bonds. Portions of the University's outstanding debt consist of variable rate debt. Some of the interest the University pays on its variable rate debt is swapped to fixed rates and some of it floats with periodic rate resets. The rate on the swapped portion of such debt is assumed to bear interest at the fixed swap rate. The rate on the unswapped portion of such debt is assumed to bear interest at a rate of 0.50%. Variable rate debt is also assumed to amortize to achieve level annual debt service through the final maturity of such debt. The average interest rate on the Bonds is 4.67%.*

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PROPOSED FORM OF LEGAL OPINION

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$14,890,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-E
(Trustees of the Hamline University of Minnesota)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Seven-E (Trustees of the Hamline University of Minnesota), in the aggregate principal amount of $14,890,000 (the "Bonds"), dated as of their date of delivery, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to the Trustees of the Hamline University of Minnesota, a Minnesota nonprofit corporation, as owner and operator of Hamline University, an institution of higher education with its main campus in the City of Saint Paul, Minnesota and a campus in Minneapolis, Minnesota (the "University"), in order to refinance existing educational facilities, all owned and operated by the University and, with the exception of a facility located elsewhere in Saint Paul, all located on the main campus of the University. 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, 2010, one or more opinions of Oppenheimer Wolff & Donnelly LLP, as counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Oppenheimer Wolff & Donnelly LLP, as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt status and unrelated trade or business activities, good standing, and powers of the University. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments or title opinions, provided to us by the University or by counsel engaged by it, and have not undertaken any examination of the records of the University or original title records or abstracts of title.

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

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

1. The Authority is an agency of the State of Minnesota duly organized and existing under the laws 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 from the loan repayments payable by the University under the Loan Agreement which have been assigned 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 are further secured by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payments held by the Trustee, as assignee, under the Loan Agreement. The Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit, but are payable solely from amounts pledged thereto in accordance with the provisions of the Indenture.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in net taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of

the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. The University has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. The opinion set forth in this paragraph is subject to the conditions that the Authority, the Trustee and the University comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the University have covenanted to comply with such requirements.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership or disposition of the Bonds.

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

Dated at Minneapolis, Minnesota, June 29, 2010.

McGrann Shea Carnival
Straughn & Lamb, Chartered

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INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be the date that is 270 days after the fiscal year end, commencing with the fiscal year ended June 30, 2010. The Annual Report will contain:

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

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

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

- Student Enrollment
- Faculty and Staff
- Tuition and Fees
- Financial Aid
- Retirement Plan

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

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

d. Calculation of Amount Available for Debt Service in to the table under the Section entitled “Estimated Annual Debt Service and Pro Forma Coverage Statement”).

Material Events to be Disclosed

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

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

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DEFINITIONS OF CERTAIN TERMS

"Account" or "Accounts" means one or more of the Accounts created under Article IV or V of the Indenture.

"Act" means Sections 136A.25 through and including 136A.42, Minnesota Statutes, as amended.

"Arbitrage Regulations" means all regulations and proposed regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 to 1.150-1.

"Authority" means the Minnesota Higher Education Facilities Authority.

"Authorized Authority Representative" means the person at the time designated to act on behalf of the Authority by written certificate furnished to the Corporation and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

"Authorized Denominations" means $5,000 and any integral multiples thereof.

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

"Authorized Investments" means investments authorized for moneys in the Accounts created under Articles IV and V of the Indenture and described in Section 5.04 thereof.

"Board of Trustees" means the Board of Trustees of the Corporation, and includes any Executive Committee or other committee authorized to act for such board.

"Bond and Interest Sinking Fund Account" means the Bond and Interest Sinking Fund Account established under Section 5.01 of the Indenture.

"Bond Closing" means the original issuance, sale and delivery of the Bonds.

"Bond Purchase Agreement" means the Bond Purchase Agreement dated June 23, 2010, among the Authority, the Underwriter and the Corporation, relating to the Bonds.

"Bond Resolution" means the Series Resolution of the Authority adopted on June 16, 2010, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

"Bond Year" means, with respect to the Bonds, (a) the period from the Issue Date to the close of business on October 1, 2010, and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

"Bonds" means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-E (Trustees of the Hamline University of Minnesota), described in Section 2.01 of the Indenture.

"Building Equipment" means those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project Site acquired from funds other than the proceeds of the Bonds, the Series Five-B Bonds, or the Line of Credit.

"Business Day" means any day other than Saturday, Sunday, a legal holiday in the State of Minnesota or any other day that the Depository (as defined in the Indenture) or banks in Minnesota are not open for business.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the Trustee and the Corporation, dated as of June 1, 2010.

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

"Costs of Issuance Account" means the Costs of Issuance Account established under the Indenture into which shall be deposited an amount of Bond proceeds specified in the Indenture to be applied to the payment of costs of issuance, not to exceed two percent (2%) of the net Bond proceeds.

"Date of Taxability" means that date as of which the interest on the Bonds shall be so determined to be includable in the gross income of the Owners thereof; provided, that no Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal income taxes from the Owner of such Bond.

"Default" means a default on the part of the Corporation in performance of any covenant or condition of this Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

"Depository" means DTC or any other person who shall be a Holder of all the Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, Corporation 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" shall have the meaning provided in the Loan Agreement.

"DTC" means The Depository Trust Company in New York, New York, its successors or assigns.

"Event of Default" means an Event of Default described in Section 7.01 of the Loan Agreement which has not been cured.

"Financial Journal" means *The Bond Buyer*, *Finance & Commerce*, *The Wall Street Journal* or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or Saint Paul, Minnesota, or in the City of New York, New York.

"Fiscal Year" means the Corporation's fiscal year, and shall initially mean the 12-month period commencing on July 1 in each year.

"General Bond Reserve Account" means the General Bond Reserve Account created pursuant to the General Bond Resolution.

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

"Holder," "Bondholder" or "Owner" means the person in whose name a Bond shall be 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” means the Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, dated as of June 1, 2010, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

“Independent Counsel” means an Independent attorney duly admitted to practice law before the highest court of any state.

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

“Institution” means Hamline University, a Minnesota institution of higher education with its main campus located in the City of Saint Paul, Minnesota, owned and operated by the Corporation.

“Interest Payment Date” means April 1 and October 1 of each year, commencing October 1, 2010 and any other date on which the principal of and interest on the Bonds shall be due and payable.

“Interest Rate” shall mean, with respect to the Bonds, the interest rate per annum specified in the column entitled “Interest Rate” for the Bonds of the respective year of maturity in Section 2.01 of the Indenture.

“Internal Revenue Code” means the Internal Revenue Code of 1986 and amendments thereto.

“Issue Date” means the date on which the Bonds are delivered to the original purchaser thereof upon original issuance.

“Line of Credit” means the line of credit that Harris N.A. has advanced to the Corporation, pursuant to a Line of Credit Agreement, dated July 6, 2006, as subsequently amended, which provided an available line of credit of $8,315,000, of which $7,300,000 is outstanding as of the date hereof, to provide financing for the Line of Credit Project.

“Line of Credit Project” means the acquisition, renovation, improvement, and/or equipping of various buildings on or relating to the Corporation’s main campus, including (i) the acquisition of the Guest House, the PRIDE House, and the Wesley Center; (ii) the renovation of the Corporation President’s residence and event center owned and operated by the Corporation, (iii) the renovation, equipping of and repairs to Bush Library, Walker Fieldhouse, Drew Hall of Science, Giddens Learning Center, the School of Law, Drew Residence Hall, and the building located at 736 Snelling Avenue; and (iv) maintenance and remodeling projects in various buildings located on the campus, including acquisition and installation of replacement windows, steam pipes, and lighting.

“Loan Agreement” means the Loan Agreement between the Authority and the Corporation, dated as of June 1, 2010, as from time to time amended or supplemented.

“Loan Repayments” means the payments described in clauses (a), (b) and (c) of Section 4.02 of the Loan Agreement.

"Net Proceeds" means, when used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Corporation as owner or lessee and the Trustee as secured party pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority plus investment earnings thereon.

"Permitted Encumbrances" means, 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 Corporation, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement and (v) liens granted by the Corporation to secure Funded Debt allowed under Section 6.14(c) of the Loan Agreement.

"Predecessor Bonds" means Predecessor Bonds as defined in Section 2.01 of the Indenture.

"Project Buildings" means any building constructed or improved with the proceeds of the Series Five-B Bonds or the Line of Credit, including investment earnings.

"Project Equipment" means all fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Series Five-B Bonds or the Line of Credit, including investment earnings and, with respect to such personal property acquired with proceeds of the Series Five-B Bonds, generally described in the Series Five-B Bond Documents and described in the Certificate of the Project Supervisor furnished pursuant to the Series Five-B Bond Documents.

"Project Facilities" means the Project Site, the Project Buildings and the Project Equipment, as the same may at any time exist.

"Project Site" means those portions of or interests in land owned by the Corporation and described on Exhibit A to the Loan Agreement on which any Project Buildings are located or otherwise improved as part of the Series Five-B Bonds Project or the Line of Credit Project, subject to any minor adjustments or modifications to the legal description in Exhibit A to this Loan Agreement provided in writing to the Authority and the Trustee, provided such minor adjustments or modifications will not have an adverse material effect on the operation of the Project Facilities.

"Redemption Account" means the Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys and investments in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account; (ii) to create and maintain the required balance in the Reserve Account and; (iii) to redeem or prepay outstanding Bonds to the extent permitted or required by Section 3.01 of the Indenture and to purchase outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Moneys in the Redemption Account may be used in the Trustee's discretion to pay rebate due the United States under Section 148 of the Internal Revenue Code if the Corporation or the Authority fails to pay or provide for the payment of any rebate.

"Reference Rate" means the interest rate per annum announced from time to time by Wells Fargo Bank, National Association, as its prime or reference rate, regardless of whether that interest rate is actually charged to any customer of said bank.

“Refunding Account” means the Refunding Account established under Section 5.07 of the Indenture.

“Reserve Account” means the Reserve Account established under the Indenture into which on the Issue Date will be placed Bond proceeds in the amount of the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefore and may be used in the Trustee’s discretion to pay rebate due to the United States if the Corporation or the Authority fails to provide for payment of any rebate.

“Reserve Requirement” means the least of (i) the maximum amount of principal of and interest on the Bonds that accrues and is payable in any remaining Bond Year or (ii) 10 percent of the principal amount of the Bonds or (iii) 125 percent of the average annual debt service of the Bonds.

“Series Five-B Bond Account” means the Series Five-B (Trustees of the Hamline University of Minnesota) Bond and Interest Sinking Fund Account created under the Series Five-B Indenture.

“Series Five-B Bond Documents” means the Series Five-B Loan Agreement and the Series Five-B Indenture.

“Series Five-B Bonds” means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-B (Trustees of the Hamline University of Minnesota), dated September 1, 1999, issued in the original principal amount of $7,750,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Five-B Project.

“Series Five-B Indenture” means the Trust Indenture between the Authority and the Series Five-B Trustee, dated as of September 1, 1999.

“Series Five-B Loan Agreement” means the Loan Agreement between the Authority and the Corporation dated as of September 1, 1999.

“Series Five-B Project” means the construction, furnishing, and equipping of a student residence building for approximately 150 students in approximately 60 units, including underground and surface parking and related demolition and site improvements on the “Project Site” as defined in the Series Five-B Indenture.

“Series Five-B Redemption Account” means the Series Five-B (Trustees of the Hamline University of Minnesota) Redemption Account created under the Series Five-B Indenture.

“Series Five-B Reserve Account” means the Series Five-B (Trustees of the Hamline University of Minnesota) Reserve Account created under the Series Five-B Indenture.

“Series Five-B Trustee” means Wells Fargo Bank, National Association, successor by consolidation to Norwest Bank Minnesota, National Association.

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

“Trust Estate” means 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” means the trustee at the time serving as such under the Indenture.

“Underwriter” means RBC Capital Markets Corporation, as original purchaser of the Bonds.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Financial Covenants

See "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS - Source of Payment" herein.

Redemption of Series Five-B Bonds and Prepayment of Line of Credit

The University represents that it will cause the Series Five-B Bonds to be redeemed on or about July 30, 2010, and will prepay the Line of Credit on June 30, 2010.

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. To provide for such payments the University covenants to pay for the account of the Authority the following amounts:

(a) at least five Business Days prior to each April 1 and October 1, commencing October 1, 2010, the University shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least five Business Day prior to each October 1, commencing on October 1, 2010, a sum equal to the amount payable as principal (whether at maturity or mandatory sinking fund redemption) of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) on or prior to a date established for the optional redemption or mandatory redemption and prepayment of the Bonds, the University shall deposit 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; and

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

(d) the University shall deposit into the Reserve Account forthwith any amounts required to be deposited therein by Section 5.02 of the Indenture; and

(e) the University shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate).

Each payment under this Section shall be made directly to the Trustee at its principal corporate trust office for the account of the Authority for deposit as provided in the Indenture. The University shall furnish to the Authority, if the Authority so requests, advice of the transmittal of such payments at the time of transmittal of payment.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The University agrees that, so long as there are Bonds outstanding, and subject to certain exceptions, the University will keep the Project Facilities in good repair and good operating condition at its own cost. The University will make such repairs, modifications and replacements as are necessary so that the Project Facilities 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 University's judgment are desirable, subject to the same conditions. The University may sell, transfer, 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) no such transaction or agreement shall 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 transaction or agreement had not been made, and (iv) 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. The University may demolish any Project Facilities which in the University's Board of Trustees' judgment are worn out, obsolete or require replacement.

Operating Expenses and Liens

The University will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities; provided that the University may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event 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 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 and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

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

The University may, at its expense, in good faith contest any such taxes, assessments, license fees and other governmental charges and, in the event of any such contest, 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 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 the lesser of (i) full insurable replacement value of the Project Facilities and contents, or (ii) the principal amount of the Bonds or (if greater) 80 percent of the full insurable replacement value of the Project Facilities and contents, with a deductible amount of not more than $250,000.

(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 not more than $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,

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

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 of the policy limits below the insurance requirements set forth above becomes effective. The University shall, on or before October 1 of each year, provide the Trustee with a certificate of insurance compliance.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $1,000,000, the University will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the University shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

The Bonds may be redeemed in whole if all or substantially all of the Project Facilities are damaged or destroyed and (i) they cannot be reasonably restored within six months, or (ii) normal use and operation of such Project Facilities are interrupted for a six month period, or (iii) the cost of restoration exceeds the available Net Proceeds by more than $100,000 (plus the amount of any deductible). The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the University determines that the Project Facilities so damaged or destroyed are not needed in its operations, (iii) the University has elected not to repair, rebuild, restore or replace such Project Facilities and (iv) the University elects that the available Net Proceeds (and not more than the amount of such available Net Proceeds) are deposited in the Redemption Account and used to redeem or purchase 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, the University shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed in whole or in part, such redemption shall be as described in the second paragraph under the caption “Damage or Destruction” above.

Removal of Project Equipment and Building Equipment

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

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

(b) the University may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the University pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the University, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of the equipment so released was less than $100,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent Engineer upon such showing by the University as may be satisfactory to the Trustee; 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 value of Building Equipment to be substituted, removed or released equals or exceeds $100,000 the University will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal or release of such equipment will not materially impair the character or revenue producing significance or value of the Project Facilities.

Indemnification

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

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

University to Maintain its Existence and Accreditation

The University agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not 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 institution, as the case may be, is other than the University, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the University in the Loan Agreement, and be either a state university or college or a nonprofit corporation 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 nonhospital 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, excluding nonhospital bonds issued on or after August 5, 1997 to finance capital expenditures incurred after August 5, 1997. Under the Loan Agreement, in no event will the University affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to 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, within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

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

Institution to be Nonsectarian

The University agrees that it 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. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient 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 per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole or in part on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability.

Other Covenants

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

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

Events of Default

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

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

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

(c) If the University shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement as defined in Section 5.02 of the Indenture, provided failure to comply with such requirement shall not become an Event of Default unless the University fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the University by the Authority or the Trustee; or

(d) If the University shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under 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

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

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

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

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

Remedies on Default

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

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

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

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

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

Amendments

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

THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the “Indenture”). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in “DEFINITION 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:

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

II a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture (but excluding all moneys and investments in the Refunding Account); and (ii) 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

III 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.

Moneys on deposit to the credit of the Accounts 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 rated at least in the rating category of "AA" or "Aa" or political subdivisions of states rated at least in the rating category of "AAA" or "Aaa," revenue bond obligations of states and their political subdivisions 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, states and their political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits of insured state or national banks fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

Remedies

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

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

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account 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 under the Indenture unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the University to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum combined 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, 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 suit, action or proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

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

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

Defeasance

If the Authority and the University shall:

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

(b) provide for the payment of principal of, 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 Bonds outstanding, or

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

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

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

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

Supplemental Indentures

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

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

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

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

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

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

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

Amendments to the Loan Agreement

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee shall consent to or execute any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51 percent in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("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 securities that its 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 securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, 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 securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 the 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 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.

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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or 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).

Payment of principal, interest, and redemption premium, if any, 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 Issuer or its agent 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 (nor its nominee), the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Authority, or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 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. The Authority, the University and the Underwriter take no responsibility for the accuracy thereof.

AUDITED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Hamline University of Minnesota
St. Paul, Minnesota

We have audited the accompanying balance sheets of Hamline University of Minnesota (the University) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
October 2, 2009

HAMLINE UNIVERSITY OF MINNESOTA
BALANCE SHEETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and Cash Equivalents	$ 8,645,885	$ 6,726,061
Restricted Cash	888,730	1,218,299
Accounts Receivable (Net)	3,712,317	3,514,070
Prepaid Expenses and Other Assets	693,998	951,291
Inventories	171,125	205,079
Contributions Receivable	6,011,887	5,401,967
Student Loans Receivable (Net)	8,310,330	7,775,250
Investments	62,774,057	79,180,541
Property, Plant and Equipment (Net)	79,048,618	77,894,863
Construction in Progress	645,212	94,718
Beneficial Interest in Trusts	1,420,537	2,107,713
Total Assets	$ 172,322,696	$ 185,069,852
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable and Accrued Expenses	$ 12,146,214	$ 9,922,483
Deposits and Deferred Revenue	3,842,900	2,961,774
Annuities and Unitrusts Payable	2,160,194	2,249,521
Perkins Loans Refundable to Government	8,619,067	8,465,483
Long-Term Debt	31,201,352	29,320,190
Total Liabilities	57,969,727	52,919,451
Net Assets:		
Unrestricted	46,188,550	68,647,195
Temporarily Restricted	11,663,269	7,885,995
Permanently Restricted	56,501,150	55,617,211
Total Net Assets	114,352,969	132,150,401
Total Liabilities and Net Assets	$ 172,322,696	$ 185,069,852

See accompanying Notes to Financial Statements.

HAMLINE UNIVERSITY OF MINNESOTA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Tuition and Fees	$ 92,068,031	$ -	$ -	$ 92,068,031
Less:				
Unfunded Student Aid	22,387,047	-	-	22,387,047
Funded Student Aid	2,417,360	-	-	2,417,360
Net Student Tuition and Fees	67,263,624	-	-	67,263,624
Government Grants	133,007	3,275,067	-	3,408,074
Contributions	1,855,404	2,082,933	1,332,513	5,270,850
Investment Income (Loss), Net	1,035,641	2,278,635	(311,814)	3,002,462
Sale and Services of Educational Activities	396,905	484,885	-	881,790
Change in Value of Split-Interest Agreements	-	(454,735)	(143,115)	(597,850)
Other Sources	1,017,554	(64,354)	(503,127)	450,073
Auxiliary Enterprises	7,233,617	-	-	7,233,617
Net Assets Released from Restrictions	7,616,111	(7,616,111)	-	-
Total Revenue	86,551,863	(13,680)	374,457	86,912,640
EXPENSES				
Instruction	32,869,052	-	-	32,869,052
Academic Support	16,578,851	-	-	16,578,851
Research	198,325	-	-	198,325
Public Service	1,318,784	-	-	1,318,784
Student Services	13,031,327	-	-	13,031,327
Institutional Support	13,101,376	-	-	13,101,376
Auxiliary Enterprises	9,081,786	-	-	9,081,786
Total Expenses	86,179,501	-	-	86,179,501
CHANGE IN OPERATING NET ASSETS	372,362	(13,680)	374,457	733,139
Investment Loss in Excess of (Less than) Spending Rate	(14,856,223)	-	-	(14,856,223)
Appropriation of Endowment Assets for	-	-	-	-
Expenditure	(3,291,122)	-	-	(3,291,122)
Board Designated Unrestricted Spending	(383,226)	-	-	(383,226)
CHANGE IN NET ASSETS BEFORE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(18,158,209)	(13,680)	374,457	(17,797,432)
Change in Accounting Principle	(4,300,436)	3,790,954	509,482	-
CHANGE IN NET ASSETS	(22,458,645)	3,777,274	883,939	(17,797,432)
Net Assets - Beginning of Year	68,647,195	7,885,995	55,617,211	132,150,401
NET ASSETS - END OF YEAR	$ 46,188,550	$ 11,663,269	$ 56,501,150	$ 114,352,969

See accompanying Notes to Financial Statements.

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 85,131,330	$ -	$ -	$ 85,131,330
22,241,077	-	-	22,241,077
2,110,388	-	-	2,110,388
60,779,865	-	-	60,779,865
106,580	2,888,807	-	2,995,387
2,481,200	1,904,662	3,510,010	7,895,872
1,216,645	2,213,274	(155,341)	3,274,578
460,168	496,077	-	956,245
-	153,636	(72,674)	80,962
841,603	657,941	(223,708)	1,275,836
7,488,928	-	-	7,488,928
7,929,122	(7,929,122)	-	-
81,304,111	385,275	3,058,287	84,747,673
30,227,494	-	-	30,227,494
15,588,533	-	-	15,588,533
205,136	-	-	205,136
1,156,201	-	-	1,156,201
12,081,794	-	-	12,081,794
12,391,282	-	-	12,391,282
8,880,096	-	-	8,880,096
80,530,536	-	-	80,530,536
773,575	385,275	3,058,287	4,217,137
(9,749,897)	-	-	(9,749,897)
-	-	-	-
-	-	-	-
(230,580)	-	-	(230,580)
(9,206,902)	385,275	3,058,287	(5,763,340)
-	-	-	-
(9,206,902)	385,275	3,058,287	(5,763,340)
77,854,097	7,500,720	52,558,924	137,913,741
$ 68,647,195	$ 7,885,995	$ 55,617,211	$ 132,150,401

HAMLINE UNIVERSITY OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (17,797,432)	$ (5,763,340)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Loss on Disposal of Assets	6,684,083	6,043,289
Net Realized and Unrealized Losses on Investments	16,436,547	8,663,321
Contributions Restricted for Long-Term Investment	(1,746,805)	(3,068,312)
Adjustment of Actuarial Liability for Annuities Payable	312,561	(17,755)
Change in Value of Beneficial Interest in Trusts	687,176	(488,396)
Change in Assets and Liabilities:		
Student Accounts Receivable	(198,247)	(398,283)
Prepaid Expenses and Other Assets	257,293	302,178
Inventories	33,954	16,715
Contributions Receivable	(413,049)	(2,950,201)
Student Loans Receivable	(535,080)	335,271
Accounts Payable and Accrued Expenses	2,223,731	1,099,110
Deposits and Deferred Revenue	881,126	(3,989)
Net Cash Provided by Operating Activities	6,825,858	3,769,608
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property, Plant, and Equipment	(8,388,332)	(8,084,986)
Purchases of Investments	(54,217,371)	(93,921,182)
Proceeds from Sale of Investments	54,187,308	94,435,366
Net Cash Used by Investing Activities	(8,418,395)	(7,570,802)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-term Debt	3,600,000	3,000,000
Proceeds from Contributions Restricted for Long-Term Investment	1,549,934	3,579,185
Grants Refundable to Government	153,584	151,744
Payments on Capital Lease	-	-
Payments on Long-term Debt	(1,718,838)	(1,652,926)
Payments on Annuities Payable	(401,888)	(92,302)
Net Cash Provided by Financing Activities	3,182,792	4,985,701
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,590,255	1,184,507
Cash and Cash Equivalents - Beginning of Year	7,944,360	6,759,853
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,534,615	$ 7,944,360
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	$ 8,645,885	$ 6,726,061
Restricted Cash	888,730	1,218,299
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,534,615	$ 7,944,360
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 1,086,885	$ 1,118,472

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hamline University is a nationally ranked comprehensive university serving 4,900 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 155 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 276 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 is recognized as a diverse, learning-centered university that is rooted in a tradition of liberal arts; dynamic and actively inclusive; locally engaged and globally connected; and invested in the personal and professional growth of persons. The University has a strong tradition of excellence in teaching, research, and scholarship. Among its longstanding values are commitments to rigorous academics; creation, dissemination, and practical application of knowledge; multicultural competencies; the development and education of the whole person; and an ethic of social justice and civic responsibility.

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.

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 of 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.

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.

Concentrations

The University maintains its operating cash balances with high credit quality financial institutions. At times, the amounts on deposit may exceed the Federal Deposit Insurance Corporation limit.

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, 2009 and 2008, the allowance was $762,488 and $628,662, respectively.

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.

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 time as the conditions are substantially met.

Investments

The University invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers. Unrealized gains and losses are recognized in the period in which they occur.

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 previous year's 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

The University's collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets on the balance sheet. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The University's collections are made up of pottery, prints, musical instruments, and paintings that are held for educational and performance purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously.

Deferred Revenue

Deferred revenue represents students' tuition received in advance for the summer term and other University programs to be held substantially after year-end.

Perkins Loans 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.

Net Asset Classification

In August 2008, the Financial Accounting Standards Board issued Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosure for All Endowed Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enhanced version of the Uniform Management of Institutional Funds Act of 2006 (UMIFA). The FSP 117-1 also improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Minnesota adopted UPMIFA effective August 1, 2008 and, accordingly, the University has adopted FSP 117-1 for the year ending June 30, 2009 and reclassified certain net assets to conform with required presentation.

The University's endowment consists of approximately 400 individual funds established for a variety of purposes including scholarships and program support. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification (Continued)

The Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

(1) The duration and preservation of the fund
(2) The purposes of the University and the donor-restricted fund
(3) General economic conditions
(4) The possible effects of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the University
(7) The investment policies of the University

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.

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

The carrying value of contributions receivable is based on discounted cash flows, which approximates fair value at June 30, 2009 and 2008.

The fair value of the University’s long-term debt is estimated based on the current rates offered to the University for debt of similar terms and maturities. The fair value of the University's long-term debt approximates fair value because the debt's interest rates are variable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Student Loans Receivable	$ 8,310,330	$ 8,310,330	$ 7,775,250	$ 7,775,250
Contribution Receivable	6,011,887	6,011,887	5,401,967	5,401,967
Long-Term Investments	62,774,057	62,774,057	79,180,541	79,180,541
Beneficial Interest in Trusts	1,420,537	1,420,537	2,107,713	2,107,713
Government Grant Repayable	(8,619,067)	(8,619,067)	(8,465,483)	(8,465,483)
Notes, Bonds and Mortgages Payable	(31,201,352)	(31,201,352)	(29,320,190)	(29,320,190)
Annuities and Unitrusts Payable	(2,160,194)	(2,160,194)	(2,249,521)	(2,249,521)

Advertising Expense

Advertising expenses are expensed as incurred. Advertising expense for the years ended June 30, 2009 and 2008 was $838,605 and $810,778, 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. The University has no obligation for unrelated business income tax. Accordingly, no provisions for federal or state income taxes are required.

Effective July 1, 2007, the University adopted FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, an interpretation of FAS No. 109, *Accounting for Income Taxes*. No adjustments to the financial statements were required as a result of the implementation of FIN 48. The University has no current obligation for unrelated business income tax. The University's tax returns are subject to review and examination by federal authorities. The tax returns for the years 2006 to 2008 are open to examination by federal authorities.

Fair Value Measurement

On July 1, 2008, the University adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). As permitted, adoption of SFAS 157 has been delayed for certain nonfinancial assets and nonfinancial liabilities to July 1, 2010. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and requires expanded disclosures about fair value measurements.

The University accounts for its investments at fair value. In accordance with SFAS No. 157, the University has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs of quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes publicly traded equities held in limited partnerships.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes long/short funds, private equity, venture capital, hedge funds, and real assets.

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 2008 amounts in the accompanying financial statement have been classified to conform to the 2009 presentation. Such reclassifications had no impact on net assets or the change in net assets.

NOTE 2 CONTRIBUTIONS RECEIVABLE

For the years ended June 30, 2009 and 2008, contributions receivable included two significant pledges that represented 55% and 74% of the receivable balance, respectively. Contributions receivable are summarized as follows at June 30:

	2009	2008
Unconditional Promises Expected to be Collected in:		
Less Than One Year	$ 1,543,429	$ 1,156,849
One to Five Years	4,782,880	4,662,468
Total Contributions	6,326,309	5,819,317
Allowance	(52,000)	(45,000)
Discount (1-4%)	(262,422)	(372,350)
Total Contributions, Net of Discount and Allowance	$ 6,011,887	$ 5,401,967

NOTE 3 INVESTMENTS

Investments as defined by asset allocation category at June 30 consist of the following:

	Fair Value	
	2009	2008
Bonds	$ 10,529,822	$ 8,501,365
Equities	32,897,626	46,719,535
Private Equity, Hedge Funds and Real Assets	18,378,956	22,710,999
Cash and Short-Term Investments	429,148	677,333
Other	538,505	571,309
Total Investments	$ 62,774,057	$ 79,180,541

Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers. Unrealized gains and losses are recognized in the period in which they occur.

As noted above, within the portfolio certain investments are invested in funds for which value is not determinable on a daily basis and are held by private companies. These are commonly referred to as Alternative Investments. These include Hedge Funds, Private Equity Funds, Real Estate Funds, Venture Capital Funds, Commodity Funds, Offshore Fund Vehicles, Fund of Funds, and Bank Collective Common Trusts. Alternative Investments may be structured through Limited Partnerships, Limited Liability Corporations, Trusts or Corporations. The estimated fair values of Alternative Investments 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.

NOTE 3 INVESTMENTS (CONTINUED)

The Alternative Investments within the above portfolio consist of the following at June 30:

	Fair Value	
	2009	2008
Private Equity	$ 5,238,580	$ 6,238,192
Hedge Funds	11,479,099	14,978,026
Real Assets	1,661,277	1,494,781
Total Private Equity, Hedge Funds and Real Assets	18,378,956	22,710,999
US Equities	39,571	60,689
Non-US Equities	538,003	815,439
US Bonds and Futures	-	7,015,390
Total Publicly Traded Investments Held in Private Funds	577,574	7,891,518
Total Alternative Investments	$ 18,956,530	$ 30,602,517

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. Hedge funds are investment vehicles that explicitly pursue absolute returns on their investments using financial instruments such as stocks, bonds, commodities, currencies, and derivatives through techniques such a shorting, leveraging, arbitrage, swaps and other strategies. Real Assets investments include real estate, energy, timber, agricultural land, mining and other similar investments. US Equities include investments held by limited partnerships which include long/short strategies carried at fair values based on investment manager market valuations. Non-US Equities are investments include foreign exchange contracts carried at fair values based on investment manager market valuations which may not be available on a daily basis. US Bonds and Futures are investments in a limited liability corporation which enters into futures contracts on the S&P 500 and requires a small margin deposit on 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.

A certain portion of the U.S. Equities and Non U.S. Equities are in pooled funds. At June 30, 2009 and 2008, the amount of pooled funds that include the University's assets was $18,134,866 and $26,276,533, respectively.

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, the allocations shown at fair value are as follows:

	2009	2008
Pooled Endowment Funds	$ 59,412,281	$ 75,021,176
Split-Interest Agreements	3,202,808	3,974,861
Unrestricted Investments	158,968	184,504
Total Investments	$ 62,774,057	$ 79,180,541

NOTE 4 FAIR VALUE MEASUREMENTS

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the University values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Investments	$ 18,579,376	$ 18,134,866	$ 25,477,218	$ 62,191,460
Beneficial Interest in Trusts	-	-	1,420,537	1,420,537
Other Assets:				
Interest Rate Swap	-	(299,696)	-	(299,696)
Total	$ 18,579,376	$ 17,835,170	$ 26,897,755	$ 63,312,301

The totals above do not include certain investment balances as they are not measured on a recurring basis at fair value. The amounts include cash and cash equivalents of $159,209 and life insurance contracts in the amount of $423,389 as of June 30, 2009.

Level 3 Assets

The following table provides summary of changes in fair value of the University's Level 3 financial assets for the year ended June 30, 2009:

Balance as of July 1, 2008	$ 28,699,027
Net Realized and Unrealized Losses on Investments	(6,263,012)
Investment Income	163,683
Purchases of Investments	9,632,229
Proceeds from Sales of Investments	(5,334,172)
Balance as of June 30, 2009	$ 26,897,755

NOTE 5 INVESTMENT INCOME

The following schedule summarizes the investment return and its classification in the statement of activities:

	2009	2008
Dividend and Interest	$ 1,403,905	$ 2,298,933
Advisory Fees	(384,464)	(598,605)
Net Realized and Unrealized Losses	(16,436,547)	(8,663,321)
Loss on Assets Held for Investment	(15,417,106)	(6,962,993)
Investment Income on Short-Term Investments	272,223	487,674
Total Net Loss on Investments	(15,144,883)	(6,475,319)
Investment Loss (Gain) Designated for Current Operations	288,660	(3,274,578)
Investment Loss in Excess of Amount Designated for Current Operations	$ (14,856,223)	$ (9,749,897)

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

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

	2009	2008
Land	$ 2,926,280	$ 2,926,280
Land Improvements	7,877,983	7,739,926
Buildings and Building Improvements	99,336,815	96,484,499
Equipment	33,117,858	30,062,035
Library Materials	16,744,187	15,540,163
Property, Plant, and Equipment	160,003,123	152,752,903
Less: Accumulated Depreciation	(80,954,505)	(74,858,040)
Property, Plant, and Equipment, Net of Accumulated Depreciation	79,048,618	77,894,863
Construction in Process	645,212	94,718
Total	$ 79,693,830	$ 77,989,581

Total depreciation expense was $6,517,809 and $6,043,289 for the years ended June 30, 2009 and 2008, respectively.

NOTE 7 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, 2009 and 2008 in making the calculation.

Investments held by the University under split-interest agreements totaled $3,202,808 and $3,974,861 at June 30, 2009 and 2008, respectively.

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.

NOTE 7 SPLIT INTEREST AGREEMENTS (CONTINUED)

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, 2009 and 2008 in making the calculation.

NOTE 8 LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

Description	2009	2008
Revolving Line of Credit, Dated July 2006 amended June 2008 to $8,315,000. Expires on July 6, 2011. Interest at LIBOR plus 60 basis points, ranging between 1.51% and 3.00% at June 30, 2009 and 3.76% at June 30, 2008, payable quarterly. Credit is unsecured.	$ 7,300,000	$ 3,700,000
Note Payable, Dated August, 2006, Bearing Interest at 0%. Payable in annual installments of $50,000 until August 2016. The note is unsecured.	350,000	400,000
Note Payable, Dated December 19, 2005, Bearing Interest at 7.75%, Payable in Monthly Installments of $1,865 with the final payment due to May 1, 2010 (Original Amount of $85,385). The note is unsecured and is related to leasehold improvements.	21,352	41,310
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.	6,680,000	6,840,000
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.	7,075,000	7,820,000

NOTE 8 LONG-TERM DEBT (CONTINUED)

Description	2009	2008
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.	7,960,000	8,275,000
MHEFA Bonds of 2006, Series Six E3, Variable Interest Rate Debt reset weekly at the Bond Market Association (BMA) Municipal Swap Index, Interest is payable monthly beginning September 1, 2006 to October 1, 2016 (Original Amount of $2,195,000) The proceeds were used to refund a portion of the MHEFA Series Four I. The Bonds are secured by a Letter of Credit.	1,815,000	2,010,000
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.	-	70,000
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 semi-annually 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.	-	163,880
Total	$ 31,201,352	$ 29,320,190

As of June 30, 2009, future debt service requirements (principal payments) on all long-term borrowings are summarized as follows:

Year Ending June 30,	Amount
2010	$ 1,541,352
2011	1,575,000
2012	8,935,000
2013	1,695,000
2014	1,765,000
After 2014	15,690,000
Total Long-Term Debt	$ 31,201,352

Total interest expense on debt was $1,356,950 and $1,231,797 for the years ended June 30, 2009 and 2008, respectively.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Variable Rate Debt

The MHEFA Series Six E bonds are secured by a letter of credit (LOC) in the amount of $16,917,842, which expires July 7, 2012. The LOC is with Harris Bank N.A. No amounts have been drawn down on the LOC as of June 30, 2009.

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, 2009, the notional amount of the swap agreement was $7,075,000. At June 30, 2009 and 2008, the fair value of the swap agreement asset was $(299,696) and $(94,302), respectively. The change in value of the swap agreement for the years ended June 30, 2009 and 2008 was $(205,394) and $(250,611), respectively.

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
2010	$ 936,029
2011	873,372
2012	884,235
2013	880,946
2014	865,604
Thereafter	2,857,624
Total Future Minimum Lease Payments	$ 7,297,810

Rental expense for the years ended June 30, 2009 and 2008 was $698,851 and $508,327, respectively.

NOTE 10 LINE OF CREDIT

The University has an unsecured line of credit totaling $10,000,000 with a bank. Interest is payable monthly at 3% plus the one-month LIBOR rate. Principal is repayable on April 30, 2010, which is the expiration date of the agreement. At June 30, 2009 and 2008, the University had no borrowings under this agreement. The interest rate on this line of credit was 3.31% at June 30, 2009 and 5% at June 30, 2008.

NOTE 11 ENDOWMENT

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of endowment assets. Under this policy approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to achieve an annualized total return after investment management fees of 5.5% net of inflation. Actual returns in any given year may vary from this amount.

It is the policy of the Board to spend 4.5% of the rolling three-year market value of the Endowment assets. At its discretion the Board may change the targeted spending rate, in any one year to achieve the strategic objectives of the University. During fiscal 2009 and 2008, the University endowment appropriation designated for current operations was $3,291,122 and $3,006,803, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of historical value. Deficiencies of this nature, which are reported in unrestricted net assets, were $8,385,957 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Trustees.

Endowment by Net Asset Class for the Years Ended:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Donor-Restricted Endowment Funds	$ (8,385,957)	$ 3,790,954	$54,088,977	$49,493,974
Board-Designated Endowment Funds	9,087,209	-	-	9,087,209
Total Funds	$ 701,251	$ 3,790,954	$54,088,977	$58,581,182

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Donor-Restricted Endowment Funds	$ -	$ -	$52,253,737	$52,253,737
Board-Designated Endowment Funds	22,786,639	-	-	22,786,639
Total Funds	$ 22,786,639	$ -	$52,253,737	$75,040,376

NOTE 11 ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Years Ended:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 22,786,639	$ -	$52,253,737	$75,040,376
Investment Return	(14,493,830)	-	-	(14,493,830)
Contributions	-	-	1,325,758	1,325,758
Appropriation of Endowment Assets for Expenditure	(3,291,122)	-	-	(3,291,122)
Implementation of FSP 117-1	(4,300,436)	3,790,954	509,482	-
Endowment Net Assets, End of year	$ 701,251	$ 3,790,954	$54,088,977	$58,581,182

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 32,284,549	$ -	$48,747,917	$81,032,466
Investment Return	(6,491,107)	-	-	(6,491,107)
Contributions	-	-	3,505,820	3,505,820
Appropriation of Endowment Assets for Expenditure	(3,006,803)	-	-	(3,006,803)
Endowment Net Assets, End of year	$ 22,786,639	$ -	$52,253,737	$75,040,376

NOTE 12 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2009	2008
Temporarily Restricted:		
Restricted for Programs	$ 6,617,995	$ 5,015,128
Endowment	3,790,954	-
Gifts Designated for Plant Expenditures	792,477	1,879,408
Beneficial Interest in Trust	461,843	991,459
Total	$ 11,663,269	$ 7,885,995
Permanently Restricted:		
Permanent Endowment	$ 54,088,977	$ 52,253,736
Beneficial Interest in Trust	2,369,629	3,116,789
Gifts Designated for Student Loans	42,544	246,686
Total	$ 56,501,150	$ 55,617,211

The temporarily restricted net assets released from restrictions of $7,616,111 and $7,929,122 for the years ended June 30, 2009 and 2008, respectively, were from gifts restricted for a particular purpose and from pledges.

NOTE 13 FUNCTIONAL EXPENSES

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

	2009		2008	
Program Services	$ 73,078,121	85%	$ 67,389,522	84%
Supporting Activities:				
Management and General	10,450,036	12%	10,885,363	14%
Fundraising	2,651,344	3%	2,255,651	3%
Total	$ 86,179,501		$ 80,530,536	

The University allocated interest expense of $1,356,950, depreciation expense of $6,517,809 and facility operation and maintenance expense of $6,506,321 to program and support functions for the year ended June 30, 2009.

The University allocated interest expense of $1,231,797, depreciation expense of $6,043,289 and facility operation and maintenance expense of $6,186,355 to program and support functions for the year ended June 30, 2008.

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 Board Designated funds. The activity in the funds is as follows:

	2009	2008
Beginning Balance	$ 737,139	$ 281,224
Additions	-	236,496
Expense	(383,226)	(230,580)
Ending Balance	$ 353,913	$ 287,140

NOTE 14 RETIREMENT PLAN

The University participates in the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), 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 $3,102,347 and $2,908,678 for the years ended June 30, 2009 and 2008, respectively.

NOTE 15 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 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.

	2009	2008
Accumulated Postretirement Benefit Obligations Included in Accounts Payable and Accrued Expenses	$ 1,526,175	$ 1,621,324

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

	2009	2008
Service Cost of Benefits Earned During the Period	$ -	$ -
Interest Cost on Accumulated Postretirement Benefit Obligation	95,397	108,348
Amortization of Prior Service Cost	-	-
Amortization of Gain	(14,386)	(4,328)
Net Periodic Postretirement Benefit Cost	$ 81,011	$ 104,020

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 10% for the first year decreasing to 5% for future years. The health-care cost trend rate assumption has an insignificant effect on the amounts reported. For example, a 1% increase in the health-care trend rate would increase the APBO by approximately $1,959 at June 30, 2009 and the net periodic postretirement benefit cost by approximately $115 for fiscal year 2009. A 1% decrease in the health care trend rate would decrease the APBO by approximately $2,464 at June 30, 2009 and the net periodic postretirement benefit cost by approximately $145 for fiscal year 2009.

NOTE 16 RELATED PARTY

Pledges from certain board of trustee members are included in the financial statements. The pledges outstanding were $4,402,940 and $2,703,760 for the years ended June 30, 2009 and 2008, respectively.

The University 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 paid were $1,696,228 and $1,571,978 for the years ended June 30, 2009 and 2008, respectively. Accounts payable at June 30, 2009 and 2008 totaled $168,517 and $12,460, respectively.

NOTE 17 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.

For the years ended June 30, 2009 and 2008, the University had commitments to investment funds in the amount of $6,703,810 and $8,343,025, respectively, funded through reallocation of investments.

NOTE 18 SUBSEQUENT EVENTS

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through October 2, 2009October 02, 2009, the date the financial statements were available to be issued.

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