

OFFICIAL STATEMENT

NEW ISSUE

Rating: Requested from
Standard & Poor's Corporation

In the opinion of Bond Counsel, the Bonds are exempt from taxation by the State of Minnesota and its subdivisions and municipalities and the interest to be paid on the Bonds is not includable in the gross income of the recipient for United States or State of Minnesota income tax purposes (other than Minnesota corporate franchise and bank excise taxes measured by income) according to present federal and Minnesota laws, regulations, rulings and decisions. (See "TAX EXEMPTION" herein.)

\$5,075,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-J
(MACALESTER COLLEGE)

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

Bonds Dated: December 1, 1985

Interest Due: Each March 1 and September 1,
commencing September 1, 1986

The Bonds will mature each March 1 as follows:

\$100,000	1991 to 1993	\$200,000	1997 and 1998	\$275,000	2001	\$	525,000	2004
\$125,000	1994 and 1995	\$225,000	1999	\$300,000	2002	\$	575,000	2005
\$150,000	1996	\$250,000	2000	\$475,000	2003	\$	1,350,000	2006

Bonds due on or after March 1, 1992 shall be subject to optional redemption on March 1, 1991, and on any interest payment date thereafter, in whole or in part and if in part, in integral multiples of \$5,000. If redemption is in part, those Bonds remaining unpaid which have the latest maturity date will be redeemed first. If only part of the Bonds having a common maturity date are called for redemption the specific Bonds to be redeemed will be chosen by lot by the Registrar. Redemption of Bonds shall be at the following prices and accrued interest:

<u>If Called:</u>	<u>Price</u>
March 1, 1991 or September 1, 1991	102.0%
March 1, 1992 or September 1, 1992	101.5%
March 1, 1993 or September 1, 1993	101.0%
March 1, 1994 or September 1, 1994	100.5%
March 1, 1995 and thereafter	100.0%

The Bonds are also subject to redemption on any interest payment date in whole but not in part under certain circumstances described in the Loan Agreement and Indenture and in the event of taxability, as described herein.

Bids must be for not less than \$4,922,750 and accrued interest on the total principal amount of the Bonds and must be accompanied by a certified or cashier's check in the amount of \$50,750, payable to the order of the Minnesota Higher Education Facilities Authority. The check of the purchaser will be retained as liquidated damages in the event the purchaser fails to comply with the accepted bid. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement.

Bidders shall specify rates in integral multiples of 5/100 or 1/8 of 1%. No rate for any maturity shall be more than 1.5% lower than any prior rate. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity.

The Bonds will be special obligations of the Minnesota Higher Education Facilities Authority payable solely from deposits and payments made by or on behalf of Macalester College pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture, as described herein. The Bonds are additionally secured by a mortgage on and security interest in the complex on the College's campus encompassing the gymnasium, fieldhouse, natatorium and handball court, and the site thereof and certain equipment.

The Bonds will be issued in denominations of \$5,000, and in integral multiples thereof not exceeding the amount maturing in any year, as requested by the purchaser, and will be fully registered as to principal and interest. First Trust Company, Inc., Saint Paul, Minnesota, will act as Trustee, Registrar and Paying Agent for the Bonds.

The Bonds will be delivered without cost to the purchaser within 40 days following the date of their award. Delivery of the Bonds is subject to receipt of an approving legal opinion by Faegre & Benson of Minneapolis, Minnesota. Certain legal matters will be passed upon for the College by its Counsel, Moore, Costello & Hart, Saint Paul, Minnesota.

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

BID OPENING:
AWARD:

November 25, 1985 (Monday) at 1:00 P.M., Central Time
November 25, 1985 (Monday) at 3:00 P.M., Central Time

The date of this Official Statement is November 13, 1985.

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 800 Osborn Building, Saint Paul, Minnesota 55102 612/222-4241.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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Vice President for Administrative Affairs,
Moorhead State University, Moorhead,
Minnesota

John A. McHugh, Vice Chairman

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Catherine M. Warrick

Executive Director, Chrysalis - A Center
for Women, Minneapolis, Minnesota

* *Ex Officio*

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

SCHEDULE OF BOND YEARS

\$5,075,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-J (MACALESTER COLLEGE)

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>BOND YEARS</u>	<u>CUMULATIVE BOND YEARS</u>
1991	\$100,000	525.00	525.00 _____
1992	\$100,000 c	625.00	1,150.00 _____
1993	\$100,000 c	725.00	1,875.00 _____
1994	\$125,000 c	1,031.25	2,906.25 _____
1995	\$125,000 c	1,156.25	4,062.50 _____
1996	\$150,000 c	1,537.50	5,600.00 _____
1997	\$200,000 c	2,250.00	7,850.00 _____
1998	\$200,000 c	2,450.00	10,300.00 _____
1999	\$225,000 c	2,981.25	13,281.25 _____
2000	\$250,000 c	3,562.50	16,843.75 _____
2001	\$275,000 c	4,193.75	21,037.50 _____
2002	\$300,000 c	4,875.00	25,912.50 _____
2003	\$475,000 c	8,193.75	34,106.25 _____
2004	\$525,000 c	9,581.25	43,687.50 _____
2005	\$575,000 c	11,068.75	54,756.25 _____
2006	\$1,350,000 c	27,337.50	82,093.75 _____

Average Maturity: 16.18 Years
 Bonds Dated: December 1, 1985
 Interest Due: September 1, 1986 and each March 1 and September 1 to maturity.
 Principal Due: March 1, 1991-2006 inclusive.
 Redemption: Bonds maturing on or after March 1, 1992 are callable commencing March 1, 1991 and any interest payment date thereafter

(See Official Terms of Offering.)

c:callable

Unless otherwise indicated, the information contained in this Official Statement was furnished by the Authority and the College.

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

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

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. 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.

This Official Statement was prepared for the information of bidders for the Bonds. Only the Arabic numbered pages and the Appendices, if any, of this Official Statement may be used or reproduced, in whole or in part, for distribution to investors. However, no assurance can be given and no representation is made that no additional information is required when the Bonds are reoffered by the purchasers to investors or that this Official Statement states all facts which would be material to an Investor purchasing Obligations from the Underwriters.

RATING

An application for a rating of this Issue has been made to Standard & Poor's Corporation, ("S & P") 25 Broadway, New York, New York.

If a rating is assigned, it will reflect only the opinion of S & P. Any explanation of the significance of the rating may be obtained only from S & P.

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

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OFFICIAL STATEMENT

\$5,075,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MORTGAGE REVENUE BONDS, SERIES TWO-J

(MACALESTER COLLEGE)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Macalester College (the "College") in connection with the issuance of the Authority's \$5,075,000 Mortgage Revenue Bonds, Series Two-J (Macalester College) (the "Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture between the Authority and First Trust Company, Inc., Saint Paul, Minnesota as Trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College covenants to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College to finance the remodeling of the student union building, renovations of the gymnasium, including the addition of handball courts, and construction of a natatorium (the "Project").

The Bonds are additionally secured by a mortgage on and security interest in the complex on the College's campus encompassing the gymnasium, fieldhouse, natatorium and handball courts, and the site thereof and certain equipment.

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

THE BONDS

The Bonds are dated December 1, 1985 and will mature annually on each March 1, commencing March 1, 1991, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of \$5,000 and integral multiples thereof not exceeding the amount maturing in any year, and shall be fully registered as to principal and interest. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 1986.

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

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

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

- (a) Subject to the provisions of Article VII of the Indenture relating to application of money upon the occurrence of an Event of Default, upon receipt by the Trustee of any defaulted interest, the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall not be more than fifteen days nor less than ten days prior to the date of the payment set by the Trustee in its discretion, but not more than ten days after the receipt by the Trustee of such defaulted interest. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name of the Authority, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed first class postage prepaid, to each Holder at his address as it appears on the registration books on a date determined by the Trustee, but not less than ten days prior to such Special Record Date. The Trustee may, in its discretion in the name of the Authority, cause a similar notice to be published at least once in a financial journal, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be

paid to the registered Owners on such Special Record Date and shall no longer be payable pursuant to the following paragraph (b).

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

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

Prior Redemption

At the option of the Authority, as directed by the College, the Bonds will be subject to redemption, in whole or in part, and if in part in integral multiples of \$5,000 and in inverse order of maturity and by lot within a maturity, on March 1, 1991, and any interest payment date thereafter. Redemption of the Bonds shall be at the following prices (expressed as a percentage of the principal amount) and accrued interest:

<u>Redemption Date</u>	<u>Price</u>
March 1, 1991 or September 1, 1991	102.0%
March 1, 1992 or September 1, 1992	101.5%
March 1, 1993 or September 1, 1993	101.0%
March 1, 1994 or September 1, 1994	100.5%
March 1, 1995 and thereafter	100.0%

The Bonds are also subject to optional redemption at par and accrued interest, on any interest payment date, in certain cases of damage to or destruction or condemnation of the Project Facilities, as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - Loan Agreement").

The Bonds are subject to mandatory redemption, as a whole and not in part, upon the occurrence of a determination of taxability, to the effect that 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 of the Bonds. The date of redemption shall be established by the Trustee and the redemption prices shall be:

<u>Redemption Date</u>	<u>Price</u>
To and until September 1, 1991	102.0%
September 2, 1991 to September 1, 1992	101.5%
September 2, 1992 to September 1, 1993	101.0%
September 2, 1993 to September 1, 1994	100.5%
September 2, 1994 and thereafter	100.0%

Notice of any such 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 more than sixty days nor less than thirty days before the date fixed for

such payment. 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.

USE OF BOND PROCEEDS(a)

The proceeds of the Bonds are expected to be used approximately as follows:

Project Construction and Equipment	\$4,100,000
Debt Service Reserve	737,750
Issuance Costs(b)	85,000
Allowance for Discount Bidding(c)	<u>152,250</u>
Total	\$5,075,000

- (a) *Accrued interest will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against Loan Repayments due before the next interest payment date.*
- (b) *Includes fees and expenses of the financial consultant, bond counsel, counsel for the College, the initial annual fee of the Authority, printing and miscellaneous costs.*
- (c) *To the extent the purchase price exceeds the minimum price, the additional Bond proceeds will be deposited in the Construction Account and may be used for Project Costs.*

SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account. The Reserve Account will be fully funded from proceeds of the Bonds in the amount of \$737,750.

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the College will mortgage and grant a security interest in certain College land, buildings and equipment to the Authority to secure its obligations to make timely Loan Repayments. The Authority will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee as part of the Trust Estate. The mortgaged property consists of the complex on the College's campus encompassing the gymnasium, fieldhouse, natatorium and handball courts, and the site thereof and certain equipment (see "SUMMARY OF DOCUMENTS - The Mortgage").

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 College agrees 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 Bonds are not secured by the General Bond Reserve of the Authority (see "ACCOUNTS - General Bond Reserve Account").

ACCOUNTS

Summary

The Indenture provides for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, except that \$737,750 will be deposited into the Reserve Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall initially be deposited into the Construction Account approximately \$4,185,000. In addition, the College agrees in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor. Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on each Project Building has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from earnings on other accounts established under the Indenture and from Loan Repayments made by the College. The moneys and investments in the Bond and Interest Sinking Fund Account are 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 \$737,750 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 College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than \$737,750.

Interest and income of the Reserve Account shall be transferred to the Bond and Interest Sinking Fund Account and when the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be deposited into the Bond and Interest Sinking Fund Account or (if appropriate) the Redemption Account.

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required.

General Bond Reserve Account

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain Bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution.

In connection with the Bonds, the Authority has not required that the College deposit funds into the General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.**

Permitted Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Reserve Account or the Redemption Account shall be invested by the Trustee in (i) direct obligations of or obligations fully guaranteed by the United States of America ("Government Obligations"), or (ii) time deposits of or certificates of deposit issued by a bank or trust company (including the Trustee or any affiliate of the Trustee) which deposits are insured by the Federal Deposit Insurance Corporation or are fully secured by Government Obligations, or (iii) securities issued by the agencies of the United States known as Federal Home Loan Banks, Farmers Home Administration, Federal Housing Administration, Government National Mortgage Association, Federal Maritime Administration and Public Housing Authorities, and (iv) shares of an investment company registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, and whose only investments are in securities previously described in this sentence. Obligations so purchased shall be deemed at all times to be a part of the respective fund or account, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such fund or account. The type,

amount and maturity of any such investments shall conform to any instructions of the Authorized Institution Representative. Any interest and income accruing on and any profit realized from such investment shall be credited against Loan Repayments to be deposited by the College under the Loan Agreement. Any such interest or other investment income or profit not credited to Loan Repayments and deposits therefor under the Loan Agreement, and not needed to provide payments on the Bonds, shall be used as promptly as possible and in integral multiples of \$5,000 for the redemption of Bonds or the purchase of Bonds on the market, it being intended that interest, income and profit shall not be permitted to accumulate but shall be used to provide for the payment of principal of and interest on the Bonds or for the prior redemption or retirement of Bonds. Any such investment made by the Trustee may be purchased from the Trustee or any affiliate of the Trustee. The Trustee shall redeem or sell, at the best price obtainable, any obligations so purchased, whenever it shall be necessary to do so in order to provide moneys to meet any payment from the respective account. Neither the Trustee nor the Authority shall be liable for any loss resulting from any such investment, nor from failure to preserve rights against endorsers or other prior parties to instruments evidencing any such investment. Investment of funds shall be limited as to amount and yield of investment in such manner that no part of the outstanding Bonds shall be deemed "arbitrage bonds" under Section 103(c) of the Internal Revenue code of 1954 and regulations thereunder.

THE PROJECT

The Project consists of the remodeling of the College's student union building, the renovation of the 1926 gymnasium including the addition of handball courts, and the construction of a natatorium, including certain equipment. The remodeling of the student union includes the complete gutting of the ground floor and the construction of a grill and student seating area, a student post office, notions counter and student government offices. The second floor renovations include common use areas, conference rooms and a catering/staging kitchen. An elevator serving three floors was retro-fitted. The ground floor of the gymnasium includes mens and womens locker rooms, showers and saunas, offices, a weight room and equipment room. The second floor now has a new dance studio and a basketball court and the third floor houses a large team/class instruction room. The new natatorium is a 10,700 square-foot building with a 25-meter, six-lane swimming pool and deck level whirlpool facility.

All construction of the Project Facilities has essentially been completed and interim financing was provided from available funds of the College.

THE AUTHORITY

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$150 million. The Authority has had 40 issues (including refunded and retired issues) totaling \$127,890,000 of which \$93,555,000 (excluding the Bonds) is outstanding as of November 2, 1985. In late November the Authority expects to issue an additional \$5,500,000 for another higher education institution. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are nonprofit educational institutions authorized to provide a program of education beyond the high school level. 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 and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

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

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

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

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

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

FUTURE FINANCING

The College anticipates the construction of a new library in the approximate amount of \$10 million. Neither the method nor the timing of any financing for the library has been determined.

LITIGATION

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

A suit alleging discrimination in employment on the basis of sex was filed against the College in 1983 in Ramsey County District Court. A trial date has not been set. In the event of an adverse determination, the College believes it has adequate insurance coverage for this claim although its insurance carrier has neither admitted nor denied coverage.

A charge alleging discrimination in employment on the basis of race, age and national origin was filed against the College with the Saint Paul Department of Human Rights in 1985 by a former employee. The charge is denied by the College. The College believes that an adverse determination will not have a material adverse effect on the financial position or results of operations of the College.

A charge alleging discrimination in employment on the basis of race and national origin was filed against the College in 1982 by an applicant for employment with the Minnesota Department of Human Rights ("Department") as well as the Equal Employment Opportunity Commission (the "EEOC"). The charge is denied by the College. On November 23, 1982, the Department made a determination that no probable cause exists to credit the allegation, and dismissed the charge. On September 17, 1985, the EEOC dismissed the charge, having determined that there was no reasonable cause to believe that discrimination had occurred. The charging party has 90 days from the date of the EEOC's dismissal of the charge to institute a private civil action against the College.

ARBITRAGE

The Authority has covenanted to comply in all respects with the requirements of Section 103(c) of the Internal Revenue Code of 1954, as amended, and all applicable Department of Treasury regulations relating to arbitrage.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Faegre & Benson, Minneapolis, Minnesota, Bond Counsel, whose approving opinion will be printed on the Bonds. Certain legal matters will be passed upon for the College by Moore, Costello & Hart, Saint Paul, Minnesota.

TAX EXEMPTION

In the opinion of Faegre & Benson, Bond Counsel, the Bonds are exempt from taxation by the State of Minnesota and its subdivisions and municipalities and the interest to be paid on said Bonds is not includable in the gross income of the recipient for United States or State of Minnesota income tax purposes (other than Minnesota corporate franchise and bank excise taxes measured by income) according to present federal and Minnesota laws, regulations, rulings and decisions. Under the provisions of Section 136A.39, Minnesota Statutes, any bonds issued by the Authority under the provisions of Section 136A.25 to 136A.42, Minnesota Statutes, their transfer and the income therefrom, including any profit made on the sale thereof, shall be exempt from taxation of every kind by the State and its municipalities and other political subdivisions of the State. Under some interpretations of this provision, interest income from the Bonds received by corporations and banks may be exempt from State of Minnesota corporate franchise taxes measured by income, including bank excise taxes, but no opinion is being expressed nor is any representation being made in that respect.

MISCELLANEOUS

The Authority assumes no responsibility for, and, accordingly, has not undertaken to independently verify the accuracy, completeness or fairness of, statements contained herein except to the extent that such statements concern the Authority.

DEFINITION OF CERTAIN TERMS

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

Authority: The Minnesota Higher Education Facilities Authority.

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

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

Authorized Investments: Investments authorized for moneys in the accounts created under Article V of the Indenture and described in Section 5.04 thereof.

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

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

Bonds: \$5,075,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-J (Macalester College).

Bond Resolution: The Series Resolution of the Authority adopted on November 6, 1985, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

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

College: Macalester College, a Minnesota nonprofit corporation and institution of higher education located in Saint Paul, Minnesota.

Construction Account: The account established under the Indenture for the deposit of certain Bond proceeds and from which Project Costs will be paid.

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

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

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

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

Indenture: The Trust Indenture between the Authority and First Trust Company, Inc., Saint Paul, Minnesota, as Trustee, dated as of December 1, 1985, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College.

Internal Revenue Code: The Internal Revenue Code of 1954 and amendments thereto.

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the Institution, dated as of December 1, 1985, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee pursuant to the Loan Agreement.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of December 1, 1985, from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

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

Paying Agent: First Trust Company, Inc., Saint Paul, Minnesota.

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

Project: The remodeling of the College's student union, the renovation of the gymnasium, including the addition of handball courts, and the construction of a new natatorium, including certain equipment all located on the main campus of the College in Saint Paul, Minnesota.

Project Buildings: The buildings constructed or improved as part of the Project.

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

Project Equipment: All furnishings, furniture, fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds and installed and located in or as part of the Project Buildings.

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

Project Site: The land on which the Project Buildings are or will be located.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required reserve in the Reserve Account, and (iii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation.

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

Registrar: First Trust Company, Inc., Saint Paul, Minnesota.

Reserve Account: The Reserve Account established under the Indenture, into which at Bond closing will be placed \$737,750 of Bond proceeds.

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

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

Trustee: First Trust Company, Inc., Saint Paul, Minnesota.

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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 A, contained herein.

Construction of Project

The College represents that the acquisition and construction of the Project were substantially completed on June 30, 1985. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account.

Loan Repayments

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

- (a) prior to each March 1 and September 1, commencing September 1, 1986, into the Bond and Interest Sinking Fund Account a sum which, together with all other amounts then credited to such Account, will be equal to the amount payable as interest on the Bonds on the next succeeding interest payment date, after deducting certain permitted credits; and
- (b) prior to each March 1, commencing March 1, 1991, a sum equal to the amount payable as principal of the Bonds on such date, after deducting certain permitted credits; and
- (c) forthwith into the Bond and Interest Sinking Fund Account the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account on any interest payment date are insufficient to pay principal of, premium (if any) and interest on the Bonds on such date; and
- (d) prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary to provide for the redemption of any of the Bonds called for redemption from the Redemption Account; and
- (e) into the Reserve Account forthwith any amounts then required to be deposited therein by Section 5.02 of the Indenture.

There is reserved to the College 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 College agrees to pay the annual fee of the Authority, fees and expenses of the Trustee and certain other expenses.

Use of Project Facilities

The College agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. It agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under Section 103 of the Internal Revenue Code.

Maintenance of Project Facilities

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

Title to Property and Liens

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

Taxes and Other Governmental Charges

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

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

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 the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds, as more fully provided in the Loan Agreement.

Condemnation

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

Indemnification

The College 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 or 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 College 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 College in connection with the sale of the Bonds.

Institution to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (i) if the surviving, resulting or transferee corporation, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and shall be either a state university or college or a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the institution be nonsectarian; and (ii) the College 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 Section 103 of the Internal Revenue Code of 1954, as amended, and regulations thereunder.

College To Be Nonsectarian

The College 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.

Federal Income Tax Status

The College 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.

In the event a determination of taxability is made that the Bonds are subject to 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 be subject to mandatory redemption on a date to be determined by the Trustee following the determination of taxability, and the redemption price therefor shall be equal to par plus accrued interest, plus a premium (expressed as a percentage of the principal amount of Bonds to be redeemed), as follows:

<u>Redemption Date</u>	<u>Premium</u>
To and until September 1, 1991	2.00%
September 2, 1991 to September 1, 1992	1.50%
September 2, 1992 to September 1, 1993	1.00%
September 2, 1993 to September 1, 1994	.50%

and thereafter without premium.

The determination of taxability described above shall be established by a ruling from the National Office of the Internal Revenue Service or a final decision of a court of competent jurisdiction obtained on the question of taxability.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

Events of Default

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

- (a) If (i) the College shall fail to make any Loan Repayment when due and such failure shall continue until the date that any payment of principal of, premium, if any, or interest on the Bonds comes due, and (ii) moneys on deposit in the Bond and Interest Sinking Fund Account and Redemption Account on such date are insufficient to pay when due the principal of, premium, if any, and interest on the Bonds; or
- (b) If the College 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, be given to the College by the Authority or the Trustee; or
- (c) If certain events shall occur with respect to the bankruptcy or insolvency of the College or the appointment of a receiver.

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 Institution. The provisions of paragraph (b) 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 Institution 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 Institution shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The Institution agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Institution from carrying out its agreements.

Remedies on Default

Whenever any Event of Default shall have happened, 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 or to foreclose the Mortgage or to enforce performance and observance of any obligation, agreement or covenant of the Institution under the Loan Agreement.
- (c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture in accordance with the provisions thereof.

Amendments

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

THE INDENTURE

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

Granting Clauses

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

- (1) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;
- (2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (3) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Mortgage.

Accounts

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

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

- (a) If default shall be made in the due and punctual payment of any interest on any Bond outstanding; or
- (b) If default shall be made in the due and punctual payment of the principal, or redemption premium, if any, of any Bond outstanding, whether at the stated maturity thereof or at the date fixed for redemption thereof, or upon the maturity thereof by acceleration; or
- (c) If default shall be made in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority in the Indenture, or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof given in the manner provided in the Indenture; or
- (d) If an event of default on the part of the Institution as that term is defined in the Loan Agreement shall occur.

Remedies

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

shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

In the case of the breach of any of the covenants or conditions of the 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 foreclose the Mortgage, and to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by this Indenture and by the Bonds, and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by the 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 First National Bank of Saint Paul's reference rate per annum, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the addition of an individual co-trustee if necessary or convenient and for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement or the Mortgage 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 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 shall:

- (a) pay or cause to be paid the principal of and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) provide for the payment of principal and interest on the Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and interest at 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 Authority under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any prior interest payment dates, or

- (d) surrender to the Trustee for cancellation all Bonds, and shall also pay all other sums due and payable under the Indenture by the Authority,

then at the request of the Authority, the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, 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 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, 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:

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;
- (c) to evidence the succession of any other department, agency, body or corporation to the Authority; and
- (d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or to make such other provisions in regard to matters or questions arising under the Indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture and which shall not impair the security of the same.

In addition and subject to the provisions set forth below, the Holders of not less than 65% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular,

any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of property, funds, investments or 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.

Amendments to the Loan Agreement and the Mortgage

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to any amendment, change or modification of the Loan Agreement or the Mortgage 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 the Mortgage, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement or the Mortgage without the written approval or consent of the Holders of not less than 65% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the payments 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 office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for new Bonds of the same maturity which may be of different denominations so long as the aggregate principal amount thereof equals the aggregate principal sum of the Bonds surrendered. Payment of principal will be at the corporate 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 this address as shown on the registration books of the Trustee.

THE MORTGAGE

At or prior to the closing, the College will execute and deliver to the Trustee a Combination Mortgage, Security Agreement and Fixture Financing Statement (the

"Mortgage"), to be dated as of December 1, 1985, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the College grants to the Trustee a security interest in the Project Equipment described therein and a first mortgage lien on its right, title and interest in and to those Project Buildings constituting the College's gymnasium, fieldhouse, natatorium and handball court complex and the site thereof. The Trustee is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income arising from the ownership of the Mortgaged Property (to the extent the same may be perfected).

Under the Loan Agreement, the College may from time to time at its discretion and at its own cost and expense install or place other equipment and tangible personal property in the Project Facilities. None of such equipment or other property so installed by the College becomes subject to the lien of the Mortgage.

The College may remove Project Equipment from the Project Buildings upon the following conditions:

- (a) the College may substitute equipment and related property for any Project Equipment, provided that such property so substituted shall not impair the character or revenue producing significance of the Project Facilities, and such substituted property shall be subject to the lien of the Mortgage in place of the replaced equipment; and
- (b) the College shall have the privilege of removing any Project Equipment without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment (other than items with an original cost of less than \$25,000) to the Trustee, provided that such removal does not impair the character or revenue producing significance of the Project Facilities.

The College may obtain a release from the Mortgage of any portion of the mortgaged land for the purpose of selling the same to a third party or to facilitate the construction or financing of additions to the Project Buildings or additional structures on the land, provided that such portion of the land does not contain any permanent structure necessary for the operating unity and efficiency of the Project Facilities and provided further that the College deposits with the Trustee the sum set forth in the Loan Agreement, as payment for the portion of the land so released.

THE COLLEGE

Macalester College is a four-year, co-educational, liberal arts institution located in Saint Paul, Minnesota. The legislature of the State of Minnesota granted a charter to Macalester College in 1874 and the College opened on September 15, 1885. The College is affiliated with the Presbyterian Church (USA). Macalester College does not discriminate on the basis of age, sex, race, color, national and ethnic origin, religious preference or handicap.

Macalester College offers a variety of four year programs leading to a Bachelor of Arts degree and is accredited by the North Central Association of Colleges and Secondary Schools and the National Council for Accreditation of Teacher Education. The College is also registered with the Minnesota Higher Education Coordinating Board in accordance with Minnesota Statutes.

Governance

The College is governed by the Board of Trustees which consists of not less than 30 nor more than 33 members. Currently there are 32 elected members. The President of the College is also a full voting member of the Board of Trustees. The Board elects its own members. Board members serve three-year overlapping terms.

Board of Trustees

David A. Ranheim, Chair	Attorney, Dorsey & Whitney, Minneapolis, Minnesota
Barbara Armajani, Vice Chair	Chief Executive Officer, Pinstripes, Inc., Minneapolis, Minnesota
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Richard E. Eichhorn	Private Investor and Business Advisor, Minneapolis, Minnesota
Robert M. Gavin, Jr. (ex-officio)	President, Macalester College, Saint Paul, Minnesota
Pierson M. Grieve	Chairman, President & Chief Executive Officer, Economics Laboratory, Inc., Saint Paul, Minnesota
George V. Grune	Chairman of the Board and Chief Executive Officer, The Reader's Digest, Pleasantville, New York
Sandra J. Hale	Commissioner of Administration, State of Minnesota, Saint Paul, Minnesota
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Pondie Ordway Johnson	Chair of the Board, Blackbourn Systems, Inc., White Bear Lake, Minnesota
Anne H. Lewis	Community Development Consultant, Saint Paul, Minnesota
Rev. Dr. Donald M. Meisel	Pastor, Westminster Presbyterian Church, Minneapolis, Minnesota
Donald L. Mennel	President, Mennel Milling Company, Fostoria, Ohio
John W. Morrison	Retired Chairman of the Board, Norwest Corporation, Minneapolis, Minnesota
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Ella C. Slade	The Music Room, Inc., Saint Paul, Minnesota
Mary Wurtele Vaughan	Community Volunteer Leader, Minneapolis, Minnesota
F.T. Weyerhaeuser	Chairman of the Board, Rock Island Company, Saint Paul, Minnesota
Frank B. Wilderson, Jr.	Vice President for Student Affairs, University of Minnesota, Minneapolis, Minnesota
Bruce E. Williams	Assistant Director, Social Sciences Division, The Rockefeller Foundation, New York, New York
Donald I. Wortman	Management Consultant, Rockville, Maryland

The President

Dr. Robert M. Gavin, Jr. was appointed President of Macalester College in 1984. He served as Provost of Haverford College, Haverford, Pennsylvania, from 1980 to 1984, and had been associated with Haverford College since 1966, serving as a member of the chemistry faculty in addition to taking on successive responsibilities as chairman of the department, director of computing and Provost.

President Gavin received a B.A. degree from St. John's University, Collegeville, Minnesota, in 1962 and a Ph.D. in physical chemistry from Iowa State University in 1966. He has had visiting academic appointments at James Frank Institute at the University of Chicago and at the University of California, Berkeley, department of chemistry.

Campus and Buildings

The College is situated on a 45-acre campus located in a primarily residential section of Saint Paul. Student residence halls and houses hold a total of 1,169 students. Following is a list of campus buildings, construction dates and current insured values:

<u>Building</u>	<u>Type</u>	<u>Year of Construction</u>	<u>Insured Value* 1985/1986</u>
Bigelow & Wallace Halls	Residence	1906/1946	\$ 5,749,500
Kirk Hall	Residence	1926	2,996,300
Gym/Pool		1926	5,196,400
Field House		1956	2,777,900
Weyerhaeuser Library		1941/1959	2,577,100
Carnegie Hall	Classrooms	1909	2,334,000
Student Union		1950	2,488,500
Winton Health Service		1952	243,100
Dayton Hall	Residence	1956	1,274,100
Turck Hall	Residence	1956	1,323,600
Dupre Hall	Residence	1962	4,953,300
Doty Hall	Residence	1962	2,786,200
Kagin Dining Commons		1962	1,868,400
Janet Wallace Fine Arts Center		1962	11,976,800
Stadium		1964	1,399,800
Olin Hall of Science	Classrooms	1963	5,000,700
Rice Hall of Science	Classrooms	1969	5,430,200
Weyerhaeuser Memorial Chapel		1967	1,132,000
Old Main	Classrooms	1885	3,196,100
77 Macalester	Residence	1930	563,400
			<u>\$65,267,400</u>

* *Replacement value.*

Academic Information

Macalester College follows the four-one-four academic calendar of two 14-week terms during the academic year, separated by a one-month interim term in January. In addition, there is a two-term summer session. The normal student course load is considered to be four courses for credit during each of the fall and spring terms and one course or project during the interim term. The Bachelor of Arts degree is awarded in 38 departmental and interdepartmental programs. Programs leading to licensure for pre-kindergarten, kindergarten, elementary and secondary teaching are offered by the education department in cooperation with other departments of the College.

Macalester expects its applicants to have completed a secondary school curriculum consisting of: four years of English; three years of history or social science; three years of mathematics; three years of laboratory science; three years of a foreign language; and to have taken honors or advanced courses available to them. The College uses no minimum grade point average as a threshold for admission; freshmen candidates are required to take either the SAT test of the College Entrance Examination Board or the ACT test of the American College Testing program.

Student Body

The College's head count enrollment and full-time equivalent (FTE) fall enrollment, actual and projected, are:

<u>(Fall)</u> <u>Year</u>	<u>Head</u> <u>Count</u> <u>(Actual)</u>	<u>FTE</u> <u>Students</u> <u>(Actual)</u>	<u>(Fall)</u> <u>Year</u>	<u>Head</u> <u>Count</u> <u>(Projected)</u>	<u>FTE</u> <u>Students</u> <u>(Projected)</u>
1981	1,730	1,563	1986	1,700	1,565
1982	1,695	1,490	1987	1,700	1,575
1983	1,682	1,529	1988	1,700	1,585
1984	1,696	1,555	1989	1,700	1,595
1985	1,703	1,555	1990	1,700	1,605

Of the 402 entering freshmen for the 1985/86 academic year, 138 or 34% are Minnesota residents.

Freshmen Applications, Admissions and Enrollments

<u>(Fall)</u> <u>Year</u>	<u># Applications</u> <u>Received</u>	<u># of Offers of</u> <u>Admission</u>	<u>Freshmen</u> <u>Enrolled</u>	<u>Mean</u> <u>Composite</u> <u>SAT Scores</u>
1981	1,075	852	395	1,107
1982	1,177	918	388	1,138
1983	1,120	935	388	1,140
1984	1,197	946	400	1,141
1985	1,444	1,054	402	1,158

Tuition and Fees

The following table lists the schedule of charges for a full-time, resident student for the past five years:

	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
Annual Tuition	\$ 5,425	\$ 6,225	\$ 6,900	\$ 7,520	\$ 8,080
Student Activity Fee	55	55	75	75	75
Room and Board	<u>1,900</u>	<u>2,180</u>	<u>2,380</u>	<u>2,600</u>	<u>2,800</u>
Total	\$ 7,380	\$ 8,460	\$ 9,355	\$10,195	\$10,955

Financial Aid

Approximately 71% of the current student body receives some form of financial aid. The average total financial aid to Macalester students, which includes Macalester awards and State and federal aids, has remained relatively constant as a percent of total costs over the past five years, ranging between 49% and 54%. No assurance can be given that federal and State student financial aid will continue to be funded at current levels.

TOTAL FINANCIAL AID RECEIVED BY STUDENTS FROM COLLEGE AND NON-COLLEGE SOURCES

	<u>1981/1982</u>	<u>1982/1983</u>	<u>1983/1984</u>	<u>1984/1985</u>	<u>Estimated 1985/1986</u>
Number of Students					
Receiving Aid	998	1,009	1,051	1,113	1,120
Average Aid	3,916	4,711	5,390	5,656	6,075
Tuition, Room, Board					
Book and Living Costs					
(No Transportation)	7,975	9,055	9,980	10,945	11,755
As % of Costs	49%	52%	54%	52%	52%
Grants/Scholarship					
Awarded by College	\$1,962,803	\$2,437,715	\$2,859,009	\$3,355,505	\$3,592,000
Not Awarded by College					
PELL (federal)	390,737	385,122	403,389	386,102	402,000
MN State					
Scholarship Prog.	368,297	334,508	423,627	422,064	532,000
Donor (non-government)	<u>148,926</u>	<u>177,050</u>	<u>210,270</u>	<u>218,427</u>	<u>254,000</u>
Total	<u>\$2,870,763</u>	<u>\$3,334,395</u>	<u>\$3,896,295</u>	<u>\$4,382,098</u>	<u>\$4,780,000</u>
Total Work-Study	553,995	733,846	887,060	945,434	938,000
Total Loan	<u>483,711</u>	<u>685,577</u>	<u>882,239</u>	<u>967,658</u>	<u>1,086,000</u>
Total Aid	\$3,908,469	\$4,753,818	\$5,665,594	\$6,295,190	\$6,804,000

Faculty and Staff

The student-faculty ratio at the College is approximately 12 to 1. For the 1985/86 academic year, there are 116 full-time and 60 part-time faculty members. Approximately 71% of the faculty are tenured.

Average faculty salaries for the 1985/86 academic year are:

	<u>Number</u>	<u>Average Salary</u>
Professor	53	\$40,351
Associate Professor	27	30,659
Assistant Professor	25	23,880
Instructor	11	20,455

Total full-time and part-time staff (excluding faculty) of the College numbers 269. There are two collective bargaining agreements with the International Union of Operating Engineers, involving 53 employees, each of which is in its second year of a two-year agreement. The balance of the staff is nonunion.

Pensions

The College provides pension benefits to substantially all employees. Certain academic and non-academic personnel are covered under contributory plans with

Teachers Insurance and Annuity Association and College Retirement Equities Fund. A plan covering union employees is funded by deposits with administrators based on a fixed rate of contribution per hour worked. The College has no liability for these pension plans once deposits are made to the administrators. The College has an unfunded pension plan which supplements retirement benefits of a limited and diminishing number of professional and staff employees not fully covered by other plans. The unfunded liability under the supplemental plan at May 31, 1985 was approximately \$275,000. Total pension expense for the year ended May 31, 1985 was \$462,575 including \$41,443 paid under the unfunded supplemental plan.

Endowment Funds

Following is a five-year history of the ending fund balances of the College's endowment and similar funds:

<u>Year Ending May 31</u>	<u>Endowment and Similar Funds</u>	<u>Quasi- Endowment Funds</u>
1985	\$33,407,969	\$3,090,957
1984	31,998,347	1,904,253
1983	28,839,226	1,432,925
1982	26,176,107	889,086
1981	25,918,495	889,096

According to the College's audited financial statements, as of May 31, 1985, the College's investments of endowment and similar funds had a quoted market value of \$41,490,200, compared to a quoted market value of \$32,457,009, as of May 31, 1984.

Funds Held in Trust By Others

The College is the income beneficiary of three trusts held by independent trustees. The aggregate estimated value of the three trusts is \$19,611,000 and for the year ending May 31, 1985, the College received \$1,475,052 from these trusts. For further information concerning these trusts, see Appendix D, Note 7 to the College's financial statements for the year ended May 31, 1985.

Gifts, Grants and Contracts

Gifts, grants and contracts from federal, State of Minnesota and private sources received by the College for the past five fiscal years have been:

<u>Fiscal Year</u>	<u>Current Unrestricted Fund</u>	<u>Current Restricted Fund</u>	<u>Plant Funds</u>	<u>Loan Funds</u>	<u>Endowment and Similar Funds</u>
1985	\$1,455,051	\$1,667,128	\$536,715	\$ 150,807	\$ 544,233
1984	953,810	1,946,279	325,119	124,785	263,433
1983	656,613	3,308,468	459,781	114,395	160,525
1982	677,698	1,937,451	567,631	10	990,192
1981	991,543	2,336,192	114,264	250	1,678,781

OPERATING BUDGET 1985/1986

Income:	
Tuition & Fees	\$12,881,789
Government Grants	530,000
Gifts and Grants	1,367,000
Endowment	3,203,000
Auxiliary Enterprises	3,186,400
Other Sources	<u>669,500</u>
Total Income	\$21,837,689
Expenditures:	
Instruction	\$ 5,770,879
Public Service	234,990
Academic Support	1,023,124
Student Services	2,538,406
General Administration	2,469,674
Physical Plant	2,082,352
Employee Benefits	1,440,749
Financial Aid	3,729,000
Auxiliary Enterprises	<u>2,548,515</u>
Total Expenditures Including Mandatory Transfers	<u>\$21,837,689</u>

Long-Term Debt As of May 31, 1985

1. \$800,000 Macalester College Dormitory Bonds of 1956 at 2-3/4%; purchased by U.S. Department of Housing and Urban Development; final maturity due November 1, 1996; \$337,000 is outstanding. The bonds are secured by mortgage liens on and the revenues of four residence halls.
2. \$2,850,000 Macalester College Dormitory Bonds of 1962 at 3-3/8%; purchased by U.S. Department of Housing and Urban Development; final maturity due May 1, 2002; \$1,720,000 is outstanding. The bonds are secured by mortgage liens on and revenues of three residence halls and the dining room facilities; the College is required to annually transfer \$30,000 to a repair and replacement reserve.
3. Two College Housing Program loans purchased by the U.S. Department of Housing and Urban Development. The first of such loans, obtained in 1979, was in the original principal amount of \$198,200.00 and is secured by a pledge of the gross revenues of Macalester College Stadium (the "Stadium") and a mortgage on the Stadium and the furniture, furnishings and equipment therein. The second of such loans, obtained in August of 1980, was in the original principal amount of \$682,000.00 and is secured by a second mortgage on the Stadium and the furniture, furnishings and equipment therein and a pledge of the first \$36,879.15 of revenues derived from annual student tuition. The principal balance outstanding at May 31, 1985 under both loans was \$814,849.00. Both loans bear interest at 3% per annum, and the aggregate annual debt service for both loans is \$38,004.00.
4. \$1,285,800 Housing and Redevelopment Authority of the City of Saint Paul unsecured equipment loan at 9%; due in monthly installments of \$22,257 including interest through 1990; \$1,072,217 is outstanding.

Total long-term debt as of May 31, 1985: \$3,944,066.

ANNUAL DEBT SERVICE BY FISCAL YEAR

Fiscal Year Ending May 31	The Bonds				Outstanding Debt Service	Total Net Debt Service	Coverage by 1985 Unrestricted Current Fund Amount Available for Debt Service(c)
	Principal	Principal and Interest(a)	Less: Reserve Revenue(b)	Net Debt Service			
1986	\$	\$	\$	\$	\$ 477,000	\$ 477,000	5.41 times
1987		619,985	92,219	527,766	477,000	1,004,766	2.57
1988		495,988	73,776	422,212	477,000	899,212	2.87
1989		495,988	73,776	422,212	477,000	899,212	2.87
1990		495,988	73,776	422,212	477,000	899,212	2.87
1991	100,000	593,988	73,776	520,212	210,000	730,212	3.54
1992	100,000	585,799	73,776	512,023	210,000	722,023	3.58
1993	100,000	577,172	73,776	503,396	210,000	713,396	3.62
1994	125,000	593,234	73,776	519,458	210,000	729,458	3.54
1995	125,000	581,784	73,776	508,008	210,000	718,008	3.60
1996	150,000	594,020	73,776	520,244	210,000	730,244	3.54
1997	200,000	628,656	73,776	554,880	176,000	730,880	3.53
1998	200,000	609,506	73,776	535,730	176,000	711,730	3.63
1999	225,000	615,156	73,776	541,380	176,000	717,380	3.60
2000	250,000	617,024	73,776	543,248	176,000	719,248	3.59
2001	275,000	617,555	73,776	543,779	176,000	719,779	3.59
2002	300,000	614,266	73,776	540,490	176,000	716,490	3.60
2003	475,000	755,890	73,776	682,114	38,000	720,114	3.59
2004	525,000	757,438	73,776	683,662	38,000	721,662	3.58
2005	575,000	753,750	73,776	679,974	38,000	717,974	3.60
2006	1,350,000	1,470,000	811,526	658,474	38,000	696,474	3.71
2007					38,000	38,000	67.95
2008					38,000	38,000	67.95
2009					38,000	38,000	67.95
2010					38,000	38,000	67.95
2011					38,000	38,000	67.95
2012					38,000	38,000	67.95
2013					38,000	38,000	67.95
2014					38,000	38,000	67.95
2015					38,000	38,000	67.95
2016					38,000	38,000	67.95
2017					38,000	38,000	67.95
2018					38,000	38,000	67.95
2019					38,000	38,000	67.95
2020					38,000	38,000	67.95
	\$5,075,000	\$13,073,187	\$2,231,713	\$10,841,474	\$5,385,000	\$16,226,474	

(a) Assumes an average estimated interest rate of 9.85%.

(b) Reserve earnings estimated at 10.00%.

(c) 1985 Unrestricted Current Fund (audited):

Revenues	<u>\$17,308,232</u>
Expenditures:	
Educational and General	12,564,660
Auxiliary Enterprises	2,204,494
Mandatory Transfers	<u>426,045</u>
	<u>15,195,199</u>
Excess of Revenues over Expenditures and Mandatory Transfers	\$ 2,113,033
Add: Mandatory Transfers For Debt Service	<u>469,143</u>
Amount Available For Debt Service	<u>\$ 2,582,176</u>

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MACALESTER COLLEGE
Financial Statements and Supplementary Schedule
May 31, 1985



Peat, Marwick, Mitchell & Co.
Certified Public Accountants
1600 Conwed Tower
444 Cedar Street
St. Paul, Minnesota 55101
612-224-7466

The Board of Trustees
Macalester College:

We have examined the balance sheet of Macalester College as of May 31, 1985 and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Macalester College at May 31, 1985 and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peat, Marwick, Mitchell & Co.

August 8, 1985

MACALESTER COLLEGE

Balance Sheet

May 31, 1985

with comparative figures at May 31, 1984

Assets		1985	1984	Liabilities and Fund Balances		1985	1984
Current funds:				Current funds:			
Investments (75% short-term notes and commercial paper and 25% stocks and bonds)				Accounts payable and accrued expenses		\$ 2,003,062	2,070,121
at cost, approximates market				Student deposits		224,215	220,996
Notes and accounts receivable, net of allowance in 1984				Due to other funds		1,286,402	1,675,099
for doubtful receivables of \$116,500 (\$97,600 in 1984)				Fund balances (deficit):			
Accrued interest and dividends				Unrestricted:			
Prepaid expenses				Undesignated		(162,554)	(162,554)
Due from plant funds (note 5)				Designated		1,203,813	-
				Restricted		2,885,450	4,064,043
Total current funds		\$ 7,440,388	7,867,705	Total fund balances		3,926,709	3,901,489
Loan funds:				Total current funds		\$ 7,440,388	7,867,705
Cash				Loan funds:			
Investments in time deposits and short-term notes at cost, approximates market				Due to other funds		\$ 64,904	33,445
Notes and accounts receivable, net of allowance for doubtful receivables of \$282,300 (\$272,300 in 1984)				Fund balances - restricted			
Accrued interest and deposits				U.S. Government grants refundable		1,484,324	1,364,997
Total loan funds		\$ 3,117,114	2,855,423	College funds		1,567,886	1,456,981
Endowment and similar funds:				Total fund balances		3,052,210	2,821,978
Cash, principally short-term notes				Total loan funds		\$ 3,117,114	2,855,423
Investments, at cost (note 2)				Endowment and similar funds:			
Accrued interest and dividends				Contract payable		\$ 171,325	161,340
Due from other funds				Fund balances (note 3):			
Total endowment and similar funds		\$ 36,670,251	34,063,940	Endowment and term endowment		30,086,681	28,721,734
Plant funds:				Quasi-endowment		3,090,957	1,904,253
Cash				Annuity		170,141	162,232
Investments in U.S. Government securities, at cost, approximates market				Life income		3,151,147	3,114,381
Investment property				Total fund balances		36,498,926	33,902,600
Mortgage and other receivables				Total endowment and similar funds		\$ 36,670,251	34,063,940
Due from other funds				Plant funds:			
Investment in plant (note 5):				Accounts payable		\$ 278,630	323,722
Land and land improvements				Due to current funds (note 5)		694,000	694,000
Buildings				Deferred gain on sale of real estate (note 5)		302,171	302,171
Furniture and equipment				Bonds, mortgages and note payable (note 5)		3,944,066	4,213,920
Library books				Fund balances:			
Total net investment in plant				Unrestricted		208,127	942,553
Total plant funds		\$ 37,719,943	36,186,249	Restricted:			
High Winds fund (note 6):				Donor		522,347	34,409
Cash - time deposits				HUD		267,357	207,951
Real estate contracts and accounts receivable				Net investment in plant		31,503,245	29,467,523
Real estate, at cost				Total fund balances		32,501,076	30,652,436
Due from other funds				Total plant funds		\$ 37,719,943	36,186,249
Total High Winds fund		\$ 2,207,507	2,542,124	High Winds fund (note 6):			
				Notes payable		\$ 15,438	345,413
				Accounts payable		7,248	28,382
				Rental deposits		11,341	17,498
				Fund balance - restricted		2,173,480	2,150,831
				Total High Winds fund		\$ 2,207,507	2,542,124

See accompanying notes to financial statements.

MACALESTER COLLEGE

Statement of Changes in Fund Balances

Year ended May 31, 1985

	Current funds		Restricted	Loan funds	Endowment and term endowment funds	Quasi-endowment funds	Annuity funds	Life income funds	Plant funds		High Winds fund
	Unrestricted	Designated							Unrestricted	Restricted	
Revenues and other additions:											
Unrestricted current fund revenues \$ 17,308,232	-	-	-	-	-	-	-	-	-	-	-
Federal grants and contracts - restricted	-	-	1,006,630	150,657	-	-	-	-	-	-	-
State grants and contracts	-	-	61,606	-	-	-	-	-	-	-	-
Private gifts, grants and contracts - restricted	-	-	-	-	-	-	-	-	-	-	-
Endowment income - restricted	-	-	598,892	150	538,100	-	3,856	2,277	155	526,560	-
Sales and service of auxiliary enterprises - restricted	-	-	3,574,673	1,320	-	-	-	-	-	-	-
Other sources	-	-	-	-	-	-	-	-	-	-	-
Investment income - restricted	-	-	112,654	6,698	-	-	-	-	-	-	309,868
Realized gains (losses) on investments - restricted	-	-	221,119	124,268	-	-	6,822	13,181	87,776	55,207	2,152
Interest on loans receivable - restricted	-	-	-	-	885,733	-	332	64,438	-	434	28,692
Expended for plant facilities (including \$403,873 charged to current funds)	-	-	-	34,838	-	-	-	-	-	-	(87,928)
Retirement of indebtedness	-	-	-	-	-	-	-	-	-	-	-
Matured life income	-	-	-	-	36,646	-	-	-	-	-	-
Total revenues and other additions	17,308,232	-	5,575,574	317,931	1,460,479	-	11,010	79,896	87,931	582,201	252,784
Expenditures and other deductions:											
Educational and general	12,564,660	-	5,997,827	-	-	-	-	-	-	-	-
Auxiliary enterprises	2,204,494	-	29,668	-	-	-	-	-	-	-	230,135
Loan cancellations	-	-	-	6,357	-	-	-	-	-	-	-
Administrative and collection costs	-	-	-	81,342	-	-	-	6,484	-	-	-
Expended for plant facilities	-	-	-	-	-	-	-	-	1,278,335	73,659	-
Matured life income and annuity	-	-	-	-	-	-	3,101	36,646	-	-	-
Total expenditures and other deductions	14,769,154	-	6,027,495	87,699	-	-	3,101	43,130	1,285,177	73,659	230,135
Transfers among funds - additions (deductions):											
Mandatory:											
Transfers to (from) endowment	81,900	-	(8,687)	-	(73,213)	-	-	-	-	-	-
Principal and interest	(469,143)	-	-	-	-	-	-	-	-	-	-
Renewals and replacements	(38,802)	-	-	-	-	-	-	-	-	38,802	-
Non-mandatory:											
To plant for capital improvements	(462,820)	-	-	-	-	-	-	-	462,820	-	-
To quasi-endowment (note 3)	(446,400)	-	(717,985)	-	(22,319)	1,164,385	-	-	-	-	-
To reflect reclassification	-	-	-	-	(22,319)	22,319	-	-	-	-	-
Designation of unrestricted funds	(1,203,813)	1,203,813	(726,672)	-	(95,532)	1,186,704	-	-	462,820	38,802	-
Total transfers	(2,539,078)	1,203,813	(1,178,593)	230,232	1,364,947	1,186,704	7,909	36,766	(734,426)	547,344	22,649
Net increase (decrease) for the year	-	-	4,064,043	2,821,978	28,721,734	1,904,253	162,232	3,114,381	942,553	242,360	2,150,831
Fund balances (deficit) at beginning of year	(162,554)	-	-	-	-	-	-	-	-	-	-
Fund balances (deficit) at end of year	\$ (162,554)	1,203,813	2,885,450	3,052,210	30,086,681	3,090,957	170,141	3,151,147	208,127	789,704	2,173,480

See accompanying notes to financial statements.

MACALESTER COLLEGE

Statement of Current Funds Revenues, Expenditures
and Other Changes

Year ended May 31, 1985
with comparative figures for the year ended May 31, 1984

	1985			1984	
	Unrestricted	Designated	Restricted	Total	Total
Revenues:					
Tuition and fees (note 5)	\$ 12,166,175	-	-	12,166,175	11,003,880
Federal grants and contracts	-	-	984,492	984,492	1,090,690
State grants and contracts	-	-	61,606	61,606	35,430
Private gifts, grants, and contracts	1,455,051	-	561,620	2,016,671	1,861,054
Endowment income	287,182	-	4,094,797	4,381,979	2,866,485
Investment income	316,521	-	221,119	537,640	559,863
Realized net gains on investments	5,982	-	-	5,982	51,728
Sales and services of auxiliary enterprises	2,952,331	-	-	2,952,331	2,584,393
Other sources	121,889	-	112,548	234,437	156,378
Matured annuity	3,101	-	-	3,101	-
Total revenues	17,308,232	-	6,036,182	23,344,414	20,209,901
Expenditures and mandatory transfers:					
Educational and general:					
Instruction	4,468,431	-	1,810,274	6,278,705	5,917,475
Research	952	-	44,105	45,057	30,563
Public service	79,518	-	78,208	157,726	142,719
Academic support	623,013	-	438,999	1,062,012	977,625
Student services	2,195,504	-	433,128	2,628,632	2,540,072
Institutional support	2,457,539	-	118,326	2,575,865	2,396,888
Operation and maintenance of plant	1,967,349	-	94,666	2,062,015	1,861,097
Student aid, scholarships, and prizes	772,354	-	2,980,121	3,752,475	3,283,897
Educational and general expenditures	12,564,660	-	5,997,827	18,562,487	17,150,336
Mandatory transfers for:					
Endowment matching funds (returned)	(81,900)	-	-	(81,900)	504,093
Endowment earnings returned to principal	-	-	8,687	8,687	-
Principal and interest	233,553	-	-	233,553	78,694
Total educational and general	12,716,313	-	6,006,514	18,722,827	17,733,123
Auxiliary enterprises:					
Expenditures	2,204,494	-	29,668	2,234,162	2,138,604
Mandatory transfers for:					
Principal and interest	235,590	-	-	235,590	217,843
Renewal and replacements	38,802	-	-	38,802	48,077
Total auxiliary enterprises	2,478,886	-	29,668	2,508,554	2,404,524
Total expenditures and mandatory transfers	15,195,199	-	6,036,182	21,231,381	20,137,647
Other transfers and additions (deductions):					
Excess (deficiency) of restricted additions over expenditures	-	-	(460,608)	(460,608)	620,540
Transfers to plant fund	(462,820)	-	-	(462,820)	(872,055)
Transfers to quasi-endowment funds	(446,400)	-	(717,985)	(1,164,385)	(493,647)
Designation of unrestricted funds	(1,203,813)	1,203,813	-	-	-
Net increase (decrease) in fund balances	\$ -	1,203,813	(1,178,593)	25,220	(672,908)

See accompanying notes to financial statements.

MACALESTER COLLEGE

Notes to Financial Statements

May 31, 1985

(1) Summary of Significant Accounting Policies

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

Accrual Basis

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

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

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group.

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

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Term endowment funds are similar to endowment funds except that, upon the passage of a stated period of time or the happening of a

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Fund Accounting, Continued

particular event, all or a part of the principal may be expended. Quasi-endowment funds have been established by the governing board for the same purpose as endowment funds; however, any portion of quasi-endowment funds may be expended without restrictions.

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

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

Designated Fund

The Board of Trustees of the College has designated \$1,203,813 of current unrestricted funds as an income stabilization fund which is intended to provide a spending reserve for future time periods. The establishment of this fund provides better management of the use of restricted funds under a trust which requires the College to achieve a balanced budget (see note 7).

Investment in Plant

Land, buildings and equipment are stated at cost at date of acquisition or fair market value at date of gift. Library books are capitalized at a stated value of \$5 each for acquisitions through August 31, 1973, \$9 through May 31, 1981, \$10 through May 31, 1982, \$20 through May 31, 1984 and actual cost thereafter. Disposals have been accounted for by use of the same stated values. Depreciation on buildings and equipment is not recorded.

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Federal Income Taxes

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

(2) Investments - Endowment and Similar Funds

Investments are stated at cost, adjusted where appropriate for amortization of premiums and accrual of discounts. Investments received by gift are stated at market value at the date of acquisition. Quoted market values of investments of the endowment and similar funds at May 31, 1985 (with comparative values at May 31, 1984) were as follows:

	<u>1985</u>	<u>1984</u>
Cash equivalents	\$ 2,944,068	2,317,658
Common stocks	21,272,769	18,137,920
Preferred stocks	1,632,263	1,536,781
Corporate bonds	2,172,324	3,097,169
U.S. Government obligations	12,086,331	6,333,444
Municipal bonds	-	564,796
Other	1,382,445	469,241
Total market	\$ <u>41,490,200</u>	<u>32,457,009</u>
Total cost	\$ <u>35,874,091</u>	<u>32,869,010</u>

Included in the market value of preferred stocks at May 31, 1985 is \$1,627,263 relating to 38,729 shares of The Reader's Digest Association, Inc. preferred stock which is not publically traded. Additionally, the College has agreed not to sell such shares of stock without first offering the shares to the Reader's Digest Association, Inc.

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

The majority of the assets of the endowment funds have been segregated into three different investment pools, each one separately pooled on a market value basis with each individual fund within a pool subscribing to or disposing of units on the basis of the value per unit at market value at the beginning of the fiscal quarter within which the transaction takes place.

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(3) Valuation and Performance of Endowment and Quasi-Endowment Funds, Continued

During the year ended May 31, 1983, the College adopted an endowment spending policy that requires endowment income over a predetermined level (excess endowment earnings) be transferred to quasi-endowment fund balance. Each year the Board of Trustees sets a spending rate which is used to allocate endowment income under the terms of the endowments. For the year ended May 31, 1985 a spending rate approximating 6.5% of a sixteen quarter moving average of investment market value was used. Endowment income is shown at actual earnings on the Statement of Changes in Fund Balances.

Earnings over the spending rate of \$665,545 for the year ended May 31, 1985 (\$21,400 of unrestricted funds and \$644,145 of restricted funds) have been transferred from current funds to quasi-endowment.

The following tabulations summarize the changes in relationship between cost and market value of endowment fund net assets and the tabulation of spendable earnings rate and total performance of the pooled endowment funds.

	Net Assets		Net Gain (Loss)
	Market	Cost	
End of period	\$ 36,949,848	33,177,638	3,772,210
Beginning of period	<u>29,890,394</u>	<u>30,625,987</u>	<u>(735,593)</u>
Unrealized net gains for the year			4,507,803
Realized net gains for the year			<u>885,733</u>
Total net gains for the year			<u>\$ 5,393,536</u>
Tabulation of spendable earnings rate and total performance on pooled endowment funds:			
Spendable earnings (total earnings less excess endowment earnings funds) as a percentage of average current year market values			<u>5.09%</u>
Total performance (spendable earnings and net gains/losses, including excess endowment earnings funds, as a percentage of average market value)			<u>24.88%</u>

Additional information pertaining to unit market values and earnings for each of the pooled endowment funds is included in Schedule 1.

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(4) Pledges

At May 31, 1985 the College had pledges outstanding from individuals, corporations and foundations totalling approximately \$2,050,000. These gifts will be reflected in the financial statements of the College when received.

(5) Plant Funds

Bonds, mortgages and notes payable of the plant funds at May 31, 1985 consist of the following:

Macalester College Dormitory Bonds of 1956	
2-3/4%, final series due November 1, 1996 (original amount \$800,000)	\$ 337,000
Macalester College Dormitory Bonds of 1962	
3-3/8%, final series due May 1, 2002 (original amount \$2,850,000)	1,720,000
College Housing Program Mortgages at 3%, due in semi-annual installments of \$19,022 including interest through 2020	814,849
Housing and Redevelopment Authority of the City of St. Paul unsecured equipment loan at 9%, due in monthly installments of \$22,257 including interest through 1990 (original amount \$1,285,800)	<u>1,072,217</u>
	<u>\$ 3,944,066</u>

To secure the required annual principal and interest payments on the bonds, the College has: (a) granted a mortgage lien and pledged the revenue from certain dormitories and dining room facilities (the aggregate carrying value of such pledged facilities approximated \$6,738,000 at May 31, 1985) and (b) met the sinking fund requirements of the bond indentures by depositing with a trustee certain Wallace Endowment Fund securities having a carrying value of \$416,287. The 1962 indenture also requires the College to transfer \$30,000 annually to a repair and replacement reserve.

The College is involved in the College Housing Program of the Department of Housing and Urban Development (HUD). The funds received under this program have been used to rehabilitate student dormitories and dining areas. The mortgages under this program are secured by a lien on the College's stadium carried at approximately \$523,000 and by pledges of gross stadium and tuition revenues.

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(5) Plant Funds, Continued

Interest costs on plant funds debt aggregated \$199,289 during the year ended May 31, 1985.

During the year ended May 31, 1983 the College sold certain undeveloped land in Arizona for \$595,000. The College received a \$100,000 downpayment and a note for \$495,000 with an interest rate of 10%. The gain on the sale is being recognized on the installment method as payments are received. No payments were due during the year ended May 31, 1985.

During the year ended May 31, 1982 the Plant Fund borrowed \$694,000 without interest from current funds to finance the renovation of the student union. The renovation is unfunded as of May 31, 1985. No fund balance has been reduced but an application is in process at May 31, 1985 for long-term debt financing.

(6) High Winds Fund

The High Winds fund is subject to the provisions of an agreement between the College and a major benefactor which provides, among other things, for physical segregation and administration of such funds in accordance with the provisions of such agreement. The purpose of the High Winds fund is to maintain and improve the beauty, serenity and security of the area surrounding the College campus.

At May 31, 1985, the High Winds fund had real estate contracts receivable of \$143,703 with interest rates ranging from 8% to 12% and maturing at various dates through 1992. Additionally, the High Winds fund owns 49 properties surrounding the Macalester College campus. The properties, which are either rented to third parties, used by the College or held for sale, are subject to long-term mortgages of \$15,438 with interest rates from 5.5% to 6% and maturities through September, 1992.

During the year ended May 31, 1985 the High Winds fund charged current funds approximately \$69,000 for use of High Winds property.

(7) Funds Held in Trust by Others

The College is the income beneficiary of two trusts with an estimated value of \$17,930,000 which are held and controlled by independent trustees. For the year ended May 31, 1985 the College received \$1,275,833 from these trusts. The College does not have legally enforceable rights to either the principal or future income.

The College is also the income beneficiary of a trust containing preferred stock with a total par value of \$3,986,200 and estimated value of \$1,681,000. Until 1990 the trust will generate income to the College of approximately \$200,000 per year if the College achieves a balanced budget

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(7) Funds Held in Trust by Others, Continued

in the prior year. On November 1, 1990 the assets of this trust will be transferred to the endowment fund of the College. An incentive of \$199,219 relating to the year ended May 31, 1984 is reflected in the financial statements for the year ended May 31, 1985.

The income from funds held in trust by others, totalling \$1,475,052, has been classified as endowment income.

(8) Pension Plans

The College provides pension benefits to substantially all employees. Certain academic and non-academic personnel are covered under contributory plans with Teachers Insurance and Annuity Association and College Retirement Equities Fund. A plan covering union employees is funded by deposits with trustees based on a fixed-rate of contribution per hour worked. The College has no liability for these pension plans once deposits are made to the administrators. The College has an unfunded pension plan which supplements retirement benefits of certain professional and staff employees not fully covered by other plans. The unfunded liability under the supplemental plan at May 31, 1985 was approximately \$275,000. Total pension expense for the year ended May 31, 1985 was \$462,575 including \$41,443 paid under the unfunded supplemental plan.

MACALESTER COLLEGE

Endowment Investment Performance

Year ended May 31, 1985

	Pooled Investments						Total Endowment Funds	
	Fund A		Fund B		Fund C		Market	Cost
	Market	Cost	Market	Cost	Market	Cost		
Pooled net assets at May 31, 1985:								
Common stocks	\$ 6,751,175	4,887,221	5,494,791	4,350,361	6,107,377	5,449,424	18,353,343	14,687,006
Preferred stocks	1,632,263	2,030,570	-	-	-	-	1,632,263	2,030,570
Corporate bonds	509,492	601,072	492,297	518,072	716,995	670,048	1,718,784	1,789,192
U.S. Government obligations	4,074,707	3,915,729	3,165,675	3,055,756	3,863,809	3,558,118	11,104,191	10,529,603
Real estate	-	-	-	-	11,000	11,000	11,000	11,000
Other (including uninvested cash)	1,413,967	1,413,967	861,274	861,274	1,855,026	1,855,026	4,130,267	4,130,267
	<u>14,381,604</u>	<u>12,848,559</u>	<u>10,014,037</u>	<u>8,785,463</u>	<u>12,554,207</u>	<u>11,543,616</u>	<u>36,949,848</u>	<u>33,177,638</u>
Pooled net assets at May 31, 1984	<u>12,243,650</u>		<u>8,145,721</u>		<u>9,501,023</u>		<u>29,890,394</u>	
Increase in pooled net assets	<u>2,137,954</u>		<u>1,868,316</u>		<u>3,053,184</u>		<u>7,059,454</u>	
Less:								
Initial market value of additions to pools	<u>(333,929)</u>		<u>(159,320)</u>		<u>(1,172,669)</u>		<u>(1,665,918)</u>	
Net gains for year	<u>\$ 1,804,025</u>		<u>1,708,996</u>		<u>1,880,515</u>		<u>5,393,536</u>	
Net gains for the year consist of:								
Realized net gains	\$ 368,653		109,751		407,329		885,733	
Unrealized net gains	<u>1,435,372</u>		<u>1,599,245</u>		<u>1,473,186</u>		<u>4,507,803</u>	
Total net gains for year	<u>\$ 1,804,025</u>		<u>1,708,996</u>		<u>1,880,515</u>		<u>5,393,536</u>	
Market values per unit, including excess endowment earnings funds:								
May 31, 1985	\$ 14.80		15.63		14.94		15.07	
May 31, 1984	<u>12.62</u>		<u>12.72</u>		<u>12.39</u>		<u>12.58</u>	
Net gain per unit	<u>\$ 2.18</u>		<u>2.91</u>		<u>2.55</u>		<u>2.49</u>	
Percent gain per unit	<u>17.27%</u>		<u>22.88%</u>		<u>20.58%</u>		<u>19.79%</u>	
Total earnings, exclusive of gains Less excess endowment earnings funds	\$ 1,030,675 (307,506)		632,330 (155,215)		734,541 (202,825)		2,397,546 (665,546)	
Total spendable earnings	<u>\$ 723,169</u>		<u>477,115</u>		<u>531,716</u>		<u>1,732,000</u>	
Spendable earnings per current year average units outstanding	<u>\$.74</u>		<u>.75</u>		<u>.67</u>		<u>.72</u>	
Spendable earnings as a percent of average current year market values	<u>5.41%</u>		<u>5.12%</u>		<u>4.68%</u>		<u>5.09%</u>	
Total performance for year (spendable earnings and net gains, including excess endowment earnings funds, as a percent of average current year market values)	<u>22.68%</u>		<u>28.0%</u>		<u>25.26%</u>		<u>24.88%</u>	

See accompanying accountants' report.

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OFFICIAL TERMS OF OFFERING

\$5,075,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-J
(MACALESTER COLLEGE)

Sealed bids for the Bonds will be opened by the Executive Director of the Minnesota Higher Education Facilities Authority (the "Authority") on Monday, November 25, 1985, at 1:00 P.M., Central Time, at Suite 278, Metro Square Building, Saint Paul, Minnesota 55101. Award of the Bonds or rejection of the Bids will be by the Executive Director at 3:00 P.M., Central Time, of the same day.

DETAILS OF THE BONDS

The Bonds will be dated December 1, 1985, as the date of original issue, and will bear interest payable on March 1 and September 1 of each year, commencing September 1, 1986. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. The Bonds will be issued in denominations of \$5,000 and integral multiples thereof not exceeding the amount maturing in any year, as requested by the Purchaser, and shall be fully registered as to principal and interest. Principal will be payable at the main corporate office of First Trust Company, Inc., Saint Paul, Minnesota, (the "Trustee") and interest on each Bond will be payable by check or draft of the Trustee to the registered holder thereof at his address as it appears on the books of the Registrar as of the 15th of the calendar month next preceding the interest payment.

The Bonds will mature March 1 in the amounts and years as follows:

\$100,000	1991-1993	\$200,000	1997-1998	\$275,000	2001	\$ 525,000	2004
\$125,000	1994-1995	\$225,000	1999	\$300,000	2002	\$ 575,000	2005
\$150,000	1996	\$250,000	2000	\$475,000	2003	\$1,350,000	2006

Bonds due on or after March 1, 1992 shall be subject to optional redemption on March 1, 1991, and on any interest payment date thereafter, in whole or in part and if in part, in integral multiples of \$5,000. If redemption is in part, those Bonds remaining unpaid which have the latest maturity date will be redeemed first. If only part of the Bonds having a common maturity date are called for redemption the specific Bonds to be redeemed will be chosen by lot by the Registrar. Redemption of Bonds shall be at the following prices and accrued interest:

<u>If Called:</u>	<u>Price</u>
March 1, 1991 or September 1, 1991	102.0%
March 1, 1992 or September 1, 1992	101.5%
March 1, 1993 or September 1, 1993	101.0%
March 1, 1994 or September 1, 1994	100.5%

Thereafter, all redemptions shall be at a price of par and accrued interest. The Bonds are also subject to redemption on any interest payment date in whole but not in part under certain circumstances described in the Loan Agreement and Trust Indenture.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of Macalester College (the "College") pursuant to a Loan Agreement between the College and the Authority or from other amounts pledged therefor pursuant to a Trust Indenture between the Authority and the Trustee. The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit or taxing powers of the Authority or the State of Minnesota are pledged. The proceeds will be used by the College for remodeling of the Student Union Building, renovation of the Gymnasium including the addition of handball courts, construction of a Natatorium, to fund a Reserve Account in the amount of \$737,750, and to pay issuance expenses.

TYPE OF BID

A sealed bid for not less than \$4,922,750 and accrued interest on the total principal amount of the Bonds shall be filed with the undersigned prior to the time set for the opening of bids. Also prior to the time set for bid opening, a certified or cashier's check in the amount of \$50,750, payable to the order of the Minnesota Higher Education Facilities Authority, shall have been filed with the undersigned or SPRINGSTED Incorporated, the Authority's Financial Advisor. No bid will be considered for which said check has not been filed. The check of the Purchaser will be retained by the Authority as liquidated damages in the event the Purchaser fails to comply with the accepted bid. The Authority will deposit the check of the Purchaser, the amount of which will be deducted at settlement. No bid shall be withdrawn after the time set for opening bids, unless the time set for award of the Bonds is continued to another date without award of the Bonds having been made. Rates offered by Bidders shall be in integral multiples of 5/100 or 1/8 of 1%. No rate for any maturity shall be more than 1.5% lower than any prior rate. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity.

AWARD

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

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

TRUSTEE/REGISTRAR

The Trustee/Registrar shall be First Trust Company, Inc., Saint Paul, Minnesota. The College will pay for the services of the Trustee/Registrar.

CUSIP NUMBERS

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

SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the Purchaser at a place mutually satisfactory to the Authority and the Purchaser. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Faegre & Benson of Minneapolis, Minnesota, which opinion will be printed on the Bonds, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received by the Trustee or its designee, not later than 1:00 P.M., Central Time of the day of settlement. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority, or its agents, the Purchaser shall be liable to the College for any loss suffered by the College by reason of the Purchaser's non-compliance with said terms for payment.

At settlement the Purchaser will be furnished with a certificate, signed by appropriate officers of the Authority and College, to the effect that the Official Statement did not as of the date of the Official Statement, and does not as of the date of settlement, contain any untrue statement

of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

OFFICIAL STATEMENT

Underwriters may obtain a copy of the Official Statement by request to the Authority's Financial Advisor prior to the bid opening. The Purchaser will be provided with 100 copies of the Official Statement.

Dated November 6, 1985

BY ORDER OF THE MINNESOTA HIGHER EDUCATION
FACILITIES AUTHORITY

/s/ Joseph E. LaBelle
Executive Director

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OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
278 Metro Square Building
Saint Paul, Minnesota 55101

SALE DATE: November 25, 1985

RE: \$5,075,000 Mortgage Revenue Bonds, Series Two-J (Macalester College)

For the Bonds of this Issue which shall mature and bear interest at the annual rate, as follows, we offer a price of \$_____ (not less than \$4,922,750) and accrued interest to the date of delivery.

_____ % 1991	_____ % 1995	_____ % 1999	_____ % 2003
_____ % 1992	_____ % 1996	_____ % 2000	_____ % 2004
_____ % 1993	_____ % 1997	_____ % 2001	_____ % 2005
_____ % 1994	_____ % 1998	_____ % 2002	_____ % 2006

In making this offer we accept all of the terms and conditions of the Official Terms of Offering published in the Official Statement dated November 13, 1985. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

NET INTEREST COST: \$ _____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

Received good faith check for return to bidder as of the date of this offer. SPRINGSTED Incorporated by _____

.....
The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officers duly authorized and empowered to make such acceptance.

Executive Director

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
278 Metro Square Building
Saint Paul, Minnesota 55101

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NET INTEREST COST: \$ _____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

Received good faith check for return to bidder as of the date of this offer. SPRINGSTED Incorporated by _____

.....
The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officers duly authorized and empowered to make such acceptance.

Executive Director

Certificate

As of the date of the Official Statement, November 13, 1985, prepared for the issuance of the \$5,075,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-J (Macalester College), it did not and does not as of the date of this Certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Witness our hands this _____ day of _____, 1985.

FOR THE AUTHORITY

Joseph E. LaBelle, Executive Director

FOR THE COLLEGE
