OFFICIAL STATEMENT DATED OCTOBER 26, 2017

NEW AND REFUNDING ISSUE **Moody's Rating: Aa3**

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

MACALESTER COLLEGE

$40,315,000
Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2017 (Macalester College)
(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: March 1 and September 1, commencing March 1, 2018**

The Bonds are to mature annually on March 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP 60416H	Year	Amount	Interest Rate	Yield	CUSIP 60416H
2018	$3,105,000	5.000%	0.920%	5R 1	2027	$1,315,000	5.000%	2.150%	6A 7
2019	$1,560,000	5.000%	1.030%	5S 9	2028	$1,380,000	5.000%	2.260%†	6B 5
2020	$1,720,000	5.000%	1.110%	5T 7	2029	$1,450,000	5.000%	2.330%†	6C 3
2021	$1,875,000	5.000%	1.270%	5U 4	2030	$1,530,000	5.000%	2.410%†	6D 1
2022	$2,040,000	3.000%	1.410%	5V 2	2034	$1,755,000	3.000%	3.100%	6F 6
2023	$1,100,000	4.000%	1.570%	5W 0	2035	$1,810,000	3.000%	3.140%	6G 4
2024	$1,145,000	5.000%	1.710%	5X 8	2036	$ 680,000	3.000%	3.180%	6H 2
2025	$1,195,000	4.000%	1.880%	5Y 6	2037	$ 700,000	3.125%	3.210%	6J 8
2026	$1,250,000	5.000%	2.040%	5Z 3					

$4,960,000 3.000% Term Bonds due March 1, 2033 Yield 3.070% CUSIP 60416H 6E 9
$3,910,000 4.000% Term Bonds due March 1, 2042 Yield 3.170%† CUSIP 60416H 6K 5
$5,835,000 4.000% Term Bonds due March 1, 2048 Yield 3.270%† CUSIP 60416H 6L 3

† Priced to the first optional call date of March 1, 2027.

The Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2017 (Macalester College) (the "Bonds" or the "Issue") are subject to optional redemption prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds are also subject to extraordinary optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture or in whole in case of damage to or destruction of a substantial portion of the facilities of Macalester College (the "College"). The Bonds are also subject to extraordinary optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption" and "THE BONDS – Determination of Taxability." The Bonds maturing on March 1 in the years 2033, 2042, and 2048 are subject to mandatory redemption in installments as described herein.

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

The Bonds are special, limited obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of the 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 Loan Repayments will be a general obligation of the College.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity and tax exemption of the Bonds by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Nilan Johnson Lewis PA, Minneapolis, Minnesota, and for the Underwriter by Fox Rothschild LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about November 8, 2017.

Piper Jaffray & Co.

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the College, or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the College and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information contained herein regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. 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 herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement, they will be furnished on request.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission.

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

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

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

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

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY WORDS SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “BUDGET” OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COLLEGE DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Authority that has been deemed final by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Nancy Sampair, Chair	Retired Banker, Resident of Saint Paul, Minnesota
Mary F. Ives, Vice Chair	Real Estate Business Owner, Resident of Grand Rapids, Minnesota
Michael D. Ranum, Secretary	Chief Financial Officer, BWBR Architects, Inc., Resident of Circle Pines, Minnesota
Gary D. Benson	Director of Project Planning & Development, Kraus-Anderson Construction Company, Resident of New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, Resident of New Brighton, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Mark Misukanis	Assistant Professor, Metropolitan State University, Resident of Mendota Heights, Minnesota
David D. Rowland	Executive Vice President, The Travelers Companies, Inc., Resident of Edina, Minnesota
Raymond VinZant, Jr.	Founder, Midway Vo-Tech, Saint Paul, Resident of Wyoming, Minnesota
Poawit Yang (Ex Officio)	Account Manager, Minnesota Office of Higher Education, Saint Paul, Minnesota

Barry W. Fick, Executive Director

Bond Counsel
Kennedy & Graven, Chartered

Municipal Advisor to the Authority
Springsted Incorporated

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OFFICIAL STATEMENT

$40,315,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE AND REFUNDING BONDS, SERIES 2017
(MACALESTER COLLEGE)

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Preliminary Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Macalester College, a Minnesota nonprofit corporation and 501(c)(3) organization and owner of an institution of higher education with its campus located in Saint Paul, Minnesota (the "College"), in connection with the issuance of the Authority's $40,315,000 Revenue and Refunding Bonds, Series 2017 (Macalester College) (the "Bonds").

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

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") to be dated as of November 1, 2017 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also serve as the registrar and paying agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of November 1, 2017 between the College and the Authority relating to the Bonds, the Authority is loaning the Bond proceeds to the College and the College will covenant as a general obligation of the College to make Loan Repayments in amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due. The College will use Bond proceeds to:

1. Refund, on a current refunding basis, the remaining outstanding principal of the Authority's Revenue Bonds, Series Six-P (Macalester College) (the "Series Six-P Bonds") maturing on and after March 1, 2018 (the "Series Six-P Refunding");
2. Refund, on an advance refunding basis, the remaining outstanding principal plus interest to the June 1, 2020 redemption date of the Authority's Revenue Bonds, Series Seven-I (Macalester College) (the "Series Seven-I Bonds") (the "Series Seven-I Refunding");
3. Demolish the College's current 38,000 square-foot theater and dance building and construct a 58,000 square-foot structure on the College campus that will house all theater and dance programming and add nine new state of the art classrooms (the "Project"); and
4. Pay Costs of Issuance.

See "USE OF PROCEEDS" herein.

The Bonds are secured by a pledge of the Loan Repayments, the payment of which is a general obligation of the College. Under the Loan Agreement, the College will agree to make timely payment of the Loan Repayments. See "SOURCE OF PAYMENT FOR THE BONDS" herein.

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

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

RISK FACTORS

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

Risk of Insufficient Collateral

The Bonds are secured solely by (a) a pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement, and (b) amounts in accounts and funds which will be held by the Trustee and applied to the payment of principal of, premium, if any, and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that such sources will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due.

General Obligation of the College; No Mortgage or Debt Service Reserve Fund

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, or the Bonds or the performance of other College obligations under such documents. Accordingly, for payment of principal, interest, and premium, if any, on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the College under the Loan Agreement and other funds, if any, the Trustee holds under the Indenture. The College's obligation to make Loan Repayments is a general, unsecured obligation. The Bonds are not secured by any mortgage on or security interest in any of the College's property or by any other collateral. Payment of principal and interest on the Bonds is not secured by any debt service reserve fund.

No Limitation on Indebtedness

The College may issue additional indebtedness following issuance of the Bonds. Neither the Loan Agreement nor any of the loan documents for the other indebtedness of the College described in Appendix I under the caption "Long-Term Debt of the College" contains any limitation on incurrence by the College of additional long-term or short-term indebtedness. Therefore, the College could incur additional indebtedness in the future, and the additional payments of principal and interest required for such indebtedness could limit the funds available to pay the Loan Repayments and the payments of principal and interest required for the College's existing indebtedness.

Adequacy of Revenues

Payment of principal of, premium, if any, and interest on the Bonds is intended to be made from the College's Loan Repayments. The College's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures, to invest and maintain sufficient monies in its investments and to obtain sufficient investment earnings therefrom. Such revenues and expenditures are subject to many conditions and factors, some of which may be beyond the College's control and may change in the future to an extent that cannot be presently determined.

Competition

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

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

Reliance on Tuition and Fees

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

Secondary Market

There can be no assurance that there will always be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for purchase or sale of the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of the College and the Project Facilities. The Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Financial Assistance

Approximately 83% of the College's students currently receive some form of financial assistance through scholarships, grants, loans, student employment, etc., from federal, state, College or private sources covering some of tuition and fees and living expenses. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could in turn have an adverse effect on the College's revenues. See Appendix I, "THE COLLEGE – Financial Aid" herein.

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

Damage or Destruction

Although the College will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the College will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies. Under certain circumstances the Bonds may be subject to redemption at par upon damage to or destruction of all or substantially all, or a portion, of the Project Facilities. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption" and Appendix V, "SUMMARY OF DOCUMENTS – The Loan Agreement – Damage or Destruction" and " – Condemnation."

Construction Risks

Construction of the 2017 Project Facilities (as defined in "USE OF PROCEEDS – The Project" herein) is subject to ordinary risks associated with new construction, such as risks of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire, and casualty. Any delays in construction may adversely impact the College's ability to complete the 2017 Project Facilities by the expected completion date, which may result in, among other things, cost overruns. See "USE OF PROCEEDS" herein.

Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage is provided in Appendix I under the caption "Pro Forma Maximum Annual Debt Service and Coverage Ratios." The pro forma coverage is merely an arithmetical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and debt service requirements, including Loan Repayment obligations.

Bankruptcy

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

Endowment Portfolio Risk

Market conditions that negatively affect the College's investments may adversely affect debt service coverage and endowment spending. The College's endowment funds, return objectives and risk parameters, and investment strategies are discussed in Note 11 of the College's Fiscal Year Financial Statements for the Fiscal Year ended May 31, 2017 (Appendix VII hereto). The College has a policy of appropriating for distribution each year a percentage of its endowment funds' 16-quarter trailing average of investment fair value. This percentage for Fiscal Years 2017 and 2016 was 5%. See also Appendix I, "THE COLLEGE – Market Value of Long-Term Investments," and "THE COLLEGE – Endowment Draw Policy and Investment Objectives."

Derivative Products

The College has previously entered into an interest rate swap agreement and is currently a party to an interest rate swap agreement. See Appendix I "The COLLEGE - Long-Term Debt of the College (as of October 1, 2017)" and Note 9 of the College's Financial Statements for the Fiscal Year ended May 31, 2017 (Appendix VII hereto). The College may enter into other interest rate swaps, other derivative financial products, or similar arrangements in the future. Under certain market conditions, termination of an interest rate swap agreement prior to its expiration may require the College to pay a termination fee to the counterparty to the agreement and such payment could be material to the College.

Variable Rate Demand Obligations

The College has two outstanding issues of variable rate demand bonds ("VRDBs"). As of October 1, 2017, the outstanding principal amount of the VRDBs is $21,960,000 out of a total of $77,905,000 for all of the College's long-term debt. See Appendix I, "THE COLLEGE – Long-Term Debt of the College" and Note 9 of the College's Financial Statements for the Fiscal Year ended May 31, 2017 (Appendix VII hereto).

The holders of the VRDBs have the right to tender their bonds to the College for purchase on any business day upon seven days' notice. In the event the VRDBs are tendered for purchase but not remarketed, the College will be required to pay the purchase price of the tendered VRDBs from College funds. There is no independent or third-party source of liquidity or payment for the VRDBs, such as a letter of credit. The College presently maintains custodial accounts to facilitate the availability of liquid funds to pay the purchase price of tendered VRDBs, but is not required to continue that practice. See Appendix I, "THE COLLEGE – Long-Term Debt of the College."

The Bonds are not VRDBs. However, the obligation of the College to pay the purchase price of the tendered VRDBs out of its own funds may limit funds available to make Loan Repayments on the Bonds.

In addition, while the College has entered into an interest rate swap agreement with respect to a substantial part of its VRDBs, for the portion of the VRDBs not subject to the interest rate swap agreement, sustained increases in interest rates could increase interest expense for the College.

Maintenance of Credit Rating

The Bonds have been rated as to their creditworthiness by Moody's (as defined herein). No assurance can be given that the Bonds will maintain their original credit rating. If the credit rating on the Bonds decreases, the Bonds may lack liquidity in the secondary market in comparison with other obligations. Adverse developments with respect to the operation of the College could result in a rating downgrade and may have an adverse effect upon a holder's ability to sell the Bonds or the bid and ask prices for the Bonds. See "RATING" herein.

Other Possible Risk Factors

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

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

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

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

(4) Market conditions that negatively affect the College's investments and, therefore, may adversely affect debt service coverage and endowment growth and spending.

(5) Cybersecurity risks related to breaches of the College's information technology systems or computer viruses and the inadvertent disclosure of confidential student and other information.

See also "TAX EXEMPTION – Federal Tax Considerations," "TAX EXEMPTION – Minnesota Tax Considerations," and "TAX EXEMPTION – Changes in Federal and State Tax Law" herein.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the College will enter into an undertaking (the "Undertaking") for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College annually, to provide notices of the occurrence of any of the events enumerated in the Rule annually, and to provide notices of the occurrence of any of the events enumerated in the Rule to the Municipal Securities Rulemaking Board (the "MSRB") not later than ten business days after the occurrence of the event. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of listed events is set forth in the Continuing Disclosure Certificate to be executed by the College (the "Continuing Disclosure Certificate") at the time the Bonds are delivered, a copy of which is available from the College or the Trustee. Appendix III – "INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE" contains a summary of the financial information and operating data to be provided annually.

The Continuing Disclosure Certificate may be amended under certain circumstances as permitted by the Rule. Furthermore, the College has reserved its right to modify the terms of the Continuing Disclosure Certificate if a court of competent jurisdiction or the College determines that such modification is required by the Rule.

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

THE BONDS

General

The Bonds will be dated as of the date of delivery and will mature annually each March 1, commencing March 1, 2018, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2018 to the persons in whose names the Bonds are registered at the close of business on the Regular Record Date, which is the 15th day (whether or not a Business Day) of the calendar month next preceding the applicable Interest Payment Date.

Book Entry Only System

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

For further information on DTC, see Appendix VI – "THE DEPOSITORY TRUST COMPANY" herein.

Prior Redemption

Mandatory Redemption

The Bonds maturing on March 1 in the year 2033, 2042 and 2048 (the "Term Bonds") shall be called for redemption on March 1 in the years and in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bonds
Due March 1, 2033

Maturity Date	Amount
2031	$1,605,000
2032	$1,650,000
2033†	$1,705,000

Term Bonds
Due March 1, 2042

Maturity Date	Amount
2038	$720,000
2039	$750,000
2040	$780,000
2041	$815,000
2042†	$845,000

Term Bonds
Due March 1, 2048

Maturity Date	Amount
2043	$ 880,000
2044	$ 915,000
2045	$ 950,000
2046	$ 990,000
2047	$1,030,000
2048†	$1,070,000

† *Stated maturity.*

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

The Term Bonds may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least forty-five days prior to such redemption:

1. have been delivered to the Trustee for cancellation; or

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

Optional Redemption

The Bonds maturing on or after March 1, 2028 are subject to optional redemption at the College's written direction on March 1, 2027 and on any day thereafter at a price of par plus accrued interest to the redemption date. Redemption may be in whole or in part and if in part in such order of maturity as the College directs and selected by random means within a maturity (and, in the case of Term Bonds, the College may treat the mandatory redemption amounts of Term Bonds as maturities for this purpose), in integral multiples of $5,000.

Extraordinary Optional Redemption

1. The Bonds are subject to extraordinary optional redemption at par and accrued interest in integral multiples of $5,000, as a whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities. In the event the Project Facilities are damaged such that the claim for loss exceeds $1,000,000, the College may elect to repair, rebuild or restore the Project Facilities or may elect, pursuant to the terms of the Loan Agreement, to redeem all or part of the outstanding Bonds.

2. The Bonds are subject to extraordinary optional redemption in the event that:

   (i) A substantial portion of the Project Facilities are destroyed to such extent that, in the College's sole judgment, it is not practical to rebuild, repair and restore the same and operate the College in the general manner now operated; or

   (ii) Upon condemnation of all or substantially all of such facilities or the taking by eminent domain of such use or control of the facilities renders the facilities unsatisfactory to the College for their intended use.

   Upon any such event, all of the Bonds shall be subject to extraordinary optional redemption in whole and not in part, on the next date for which due notice of redemption can be given at a price of par plus accrued interest to the redemption date.

3. The Bonds are subject to extraordinary optional redemption at a price of par and accrued interest upon a Determination of Taxability as provided in the Loan Agreement. See "THE BONDS – Determination of Taxability," Appendix V, "SUMMARY OF DOCUMENTS – The Loan Agreement – Damage or Destruction," and Appendix V, "SUMMARY OF DOCUMENTS – Determination of Taxability."

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Authority and the Trustee will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. If DTC is no longer the registered holder of the Bonds, then the Trustee shall select partially called Bonds pursuant to the terms of the Indenture.

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

Notice of Redemption

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

Determination of Taxability

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

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

USE OF PROCEEDS

The Plan of Finance

Bond proceeds will be used to:

1. Refund, on a current refunding basis, the remaining outstanding principal of the Authority's Revenue Bonds, Series Six-P (Macalester College) (the "Series Six-P Bonds") maturing on and after March 1, 2018 (the "Series Six-P Refunding");
2. Refund, on an advance refunding basis, the remaining outstanding principal plus interest to the June 1, 2020 redemption date of the Authority's Revenue Bonds, Series Seven-I (Macalester College) (the "Series Seven-I Bonds") (the "Series Seven-I Refunding");
3. Demolish the College's current 38,000 square-foot theater and dance building and construct a 58,000-square foot structure on the College campus that will house all theater and dance programming and add nine new state of the art classrooms (the "Project"); and
4. Pay Costs of Issuance.

The Refunding

The Series Six-P Refunding

On the Issue Date, a portion of the Bond proceeds will be deposited in the Series Six-P Refunding Account created under the Indenture and immediately transferred to Wells Fargo Bank, National Association as the Trustee for the Series Six-P Bonds for deposit into the Series Six-P Redemption Account. The amounts so deposited shall not be invested, but will be in an amount sufficient to prepay the outstanding principal of and pay the interest on the Series Six-P Bonds on the Series Six-P Redemption Date and without a redemption premium.

The Series Six-P Bonds to be prepaid and refunded are in the total principal amount of $5,905,000 and are identified by CUSIP as follows:

Maturity Date March 1:	Principal	CUSIP: 60416H
2018	$2,080,000	JK 1
2019	$ 885,000	Q7 2
2020	$ 930,000	Q8 0
2021	$ 980,000	Q9 8
2022*	$1,030,000	Q6 4

* *Final Maturity.*

The Series Seven-I Refunding

The Series Seven-I Bonds are outstanding and eligible for advance refunding in the amount of $13,865,000. The Series Seven-I Bonds to be defeased and advance refunded, identified by CUSIP, are as follows:

Maturity Date June 1:	Principal	CUSIP: 60416H
2018	$ 515,000	VP 6
2019	$ 530,000	VQ 4
2020	$ 555,000	VR 2
2021	$ 580,000	VS 0
2022	$ 600,000	VT 8
2023	$ 630,000	VU 5
2024	$ 660,000	VV 3
2025	$ 690,000	VW 1
2026	$ 720,000	VX 9
2035[(a)(b)]	$8,385,000	VY 7

[(a)] *Term Bond.*

[(b)] *Final Maturity.*

The Authority at the College's direction may optionally redeem the Series Seven-I Bonds maturing on or after June 1, 2021 on June 1, 2020 and on any date thereafter in whole or in part, at a price of par plus interest accrued to the redemption date and without a redemption premium. As of the Issue Date, the outstanding Series Seven-I Bonds will be fully defeased from Bond proceeds and any funds available therefor on deposit under the Series Seven-I Indenture. Under the terms of the Escrow Agreement to be dated as of November 1, 2017 (the "Escrow Agreement"), among the Authority, the College, the Trustee, the Escrow Agent, and the Series Seven-I Trustee, the College has given Wells Fargo Bank, National Association, as trustee for the Series Seven-I Bonds, irrevocable direction to optionally redeem the Series Seven-I Bonds (maturing on and after June 1, 2021) on June 1, 2020 (the "Series Seven-I Redemption Date"). The Series Seven-I Bonds will be paid on their maturity dates of June 1 in the years 2018, 2019, and 2020, and prepaid and redeemed on the Series Seven-I Redemption Date at a price of par plus interest accrued to that date and without a redemption premium.

On the Issue Date, a portion of the Bond proceeds will be deposited in the Series Seven-I Refunding Account created under the Indenture and immediately transferred to Wells Fargo Bank, National Association as the escrow agent (the "Escrow Agent") under the Escrow Agreement for deposit into escrow (the "Escrow Account"). The Escrow Agent shall also receive and deposit into the Escrow Account any amounts held by the Series Seven-I Trustee and available to apply to this refunding. The amount on deposit in the Escrow Account will be invested in U.S. government securities the principal amount of which, plus earnings thereon, will be sufficient to pay interest and maturing principal of on the Series Seven-I Bonds to and including the Series Seven-I Redemption Date and to pay, prepay, and redeem the outstanding Series Seven-I Bonds on the Series Seven-I Redemption Date.

The College will obtain from Barthe & Wahrman PA, Certified Public Accountants, a verification report confirming that the initial monies deposited in the Escrow Account, including the earnings on federal securities therein, will be sufficient to pay the principal of and interest on the Series Seven-I Bonds when due and to pay the outstanding principal balance of the Series Seven-I Bonds on the Series Seven-I Redemption Date.

The Project

On the Issue Date, a portion of the Bond proceeds will be deposited into the Construction Account established under the Indenture to be used, along with College funds, to fund the demolition of the College's current 38,000 square-foot theater and dance building and the construction, equipping, and furnishing of a new 58,000 square-foot structure that will house all theater and dance programming along with nine new state of the art classrooms (the "2017 Project Facilities", which, along with facilities financed and refinanced with proceeds from the Series Six-P Bonds and the Series Seven-I Bonds constitute the Project Facilities). The 2017 Project Facilities will form the southwest corner of the Janet Wallace Fine Arts complex which also houses the Music and Studio Art facilities. The College's Theater program will have a large flexible performance space, a dance studio sized to meet accreditation requirements, an appropriately sized and designed scene shop, rehearsal rooms, faculty office space, and other support spaces. These spaces will occupy the northern section of the site where they will share a lobby with the College's Music program. The new classrooms will occupy the south end of the building with eight of the nine spaces on the second floor. The seating capacities will range from 25 to 40 students and are designed to accommodate multiple teaching styles. The southeast corner of the building will be connected by an enclosed raised skyway connected to the northwest corner of the adjacent Olin Rice science complex on the College's campus in Saint Paul, Minnesota.

The total budget for the Project is approximately $32 million, of which approximately $22 million will be financed with the proceeds of the Bonds and $10 million is anticipated to be financed from college funds, including private gifts. The college is actively seeking gifts to meet the funding target for the Project.

The College has allocated its own funds in various amounts to the Project Facilities. See Appendix V, "SUMMARY OF DOCUMENTS – The Loan Agreement" for detail on such equity allocation.

The College has retained Hammel Green & Abrahamson Inc. Architects and Engineers, Minneapolis, Minnesota, as architects for the 2017 Project Facilities. The College expects to enter into a construction contract for the 2017 Project Facilities during 2017 with McGough Construction Co., Inc.

The College anticipates construction on the 2017 Project Facilities will commence in late 2017 with Project completion expected in early 2019.

SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Bonds	$40,315,000.00
Net Premium	3,205,304.65
Total Sources	$43,520,304.65
Uses of Funds	
Deposit to Refund Series Six-P	$ 5,984,553.47
Deposit to Refund Series Seven-I	15,184,319.81
Deposit to Construction Account	22,000,000.00
Deposit to Bond and Interest Sinking Fund Account	4,643.81
Deposit to Costs of Issuance Account Including Underwriter Discount	346,787.56
Total Uses	$43,520,304.65

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FISCAL YEAR ANNUAL DEBT SERVICE*

Fiscal Year Ending May 31	Other Debt Service[1]	Series 2017 Bonds	Aggregate Debt Service
2018	$ 4,483,176	$ 3,625,216	$ 8,108,391
2019	5,652,026	3,062,075	8,714,101
2020	5,637,209	3,144,075	8,781,284
2021	5,644,844	3,213,075	8,857,919
2022	5,641,906	3,284,325	8,926,231
2023	5,128,282	2,283,125	7,411,407
2024	5,128,537	2,284,125	7,412,662
2025	4,099,067	2,276,875	6,375,942
2026	3,507,406	2,284,075	5,791,481
2027	3,505,380	2,286,575	5,791,955
2028	3,504,641	2,285,825	5,790,466
2029	3,510,011	2,286,825	5,796,836
2030	3,504,815	2,294,325	5,799,140
2031	3,507,455	2,292,825	5,800,280
2032	3,510,781	2,289,675	5,800,456
2033	1,971,495	2,295,175	4,266,670
2034	840,900	2,294,025	3,134,925
2035	842,050	2,296,375	3,138,425
2036	842,550	1,112,075	1,954,625
2037	842,400	1,111,675	1,954,075
2038	841,800	1,109,800	1,951,600
2039	845,200	1,111,000	1,956,200
2040	842,400	1,111,000	1,953,400
2041	843,600	1,114,800	1,958,400
2042	843,600	1,112,200	1,955,800
2043	842,400	1,113,400	1,955,800
2044		1,113,200	1,113,200
2045		1,111,600	1,111,600
2046		1,113,600	1,113,600
2047		1,114,000	1,114,000
2048		1,112,800	1,112,800
Total[2]	$76,363,962	$60,539,741	$136,903,673

[1] *Other debt service does not include the Series Six-P Bonds and Seven-I Bonds to be refunded with Bond proceeds.*
[2] *Totals may not add due to rounding*

* *Debt service above does not include the Authority's annual fee or Trustee fees.*

SOURCE OF PAYMENT AND SECURITY FOR THE BONDS

Payment of the Bonds

The Bonds will be special obligations of the Authority. The principal of and interest on the Bonds are payable solely from Loan Repayments, which consist of payments to be made by the College pursuant to the Loan Agreement. The Loan Repayments have been pledged to the Trustee for the benefit of the Bondholders.

Under the Loan Agreement, it is a general obligation of the College to make payments to satisfy the principal of and interest on the Bonds. The College will agree pursuant to the terms of the Loan Agreement to make such payments out of its general funds or any other moneys legally available.

Payments by the College in respect of interest on the Bonds are to be made at least one (1) Business Day before each Interest Payment Date in an amount equal to the interest coming due on such interest payment date. Payments by the College in respect of principal on the Bonds are to be made at least one (1) Business Day before each principal payment date in an amount equal to the principal coming due on such principal payment date. The Loan Agreement also requires the College to deposit with the Trustee no later than the date the Trustee notifies Bondholders of a redemption the amount required to pay the Redemption Price of such Bonds.

Pursuant to the Loan Agreement, the College will make such payments directly to the Trustee. The Trustee is to apply such payments to the payment of the principal of and interest on the Bonds.

Security for the Bonds

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College, and funds the Trustee holds under the Indenture. The College will covenant and agree to charge tuition, other fees, rentals and charges which, together with the College's general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due. No contributions or gifts to the College are pledged to the payment of Loan Repayments.

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

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Series Six-P Refunding Account, a Series Seven-I Refunding Account, a Bond and Interest Sinking Fund Account, a Construction Account, a Costs of Issuance Account and a Redemption Account. Following the Issue Date, 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 as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of, premium, if any, and interest on the Bonds.

Refunding Accounts

There shall be deposited into the Series Six-P Refunding Account and the Series Seven-I Refunding Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account, the Construction Account, or the Costs of Issuance Account. The monies deposited to the Series Six-P Refunding Account shall immediately be transferred to the Series Six-P Trustee for deposit to the Series Six-P Redemption Account. The monies deposited to the Series Seven-I Refunding Account shall immediately be transferred to the Escrow Agent for deposit in the Escrow Account as more fully described in "USE OF PROCEEDS – The Refunding" herein.

Bond and Interest Sinking Fund Account

There shall be deposited into the Bond and Interest Sinking Fund Account accrued interest, if any, received from the sale of the Bonds, transfers of amounts in other accounts as permitted by the Indenture, and Loan Repayments made by the College. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Series Six-P Refunding Account, the Series Seven-I Refunding Account, the Bond and Interest Sinking Fund Account, and the Costs of Issuance Account. The College will agree in the Loan Agreement to provide for payment of all costs of the Project 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 the Project 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 Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions.

Costs of Issuance Account

There shall be deposited into the Costs of Issuance Account the amount specified in the Indenture to be applied to the costs, fees and expenses incurred in connection with the issuance of the Bonds. The Trustee shall disburse funds from this account upon presentation to the Trustee of an invoice approved by the Authorized Institution Representative or the Authorized Authority Representative. The College will agree in the Loan Agreement to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal adjusted for net original issue discount or net original issue premium according to the reoffering scale). Any funds remaining in the Costs of Issuance Account after a period of 120 days shall be transferred to the Bond and Interest Sinking Fund Account.

Redemption Account

There shall be deposited into the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

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

Authorized Investments

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

Moneys deposited in the Series Six-P Refunding Account will not be invested in that account, but will be transferred to the Series Six-P Trustee, and held and disbursed under the terms of the Series Six-P Indenture for the current refunding of the Series Six-P Bonds. See "USE OF PROCEEDS – The Refunding" herein.

Moneys deposited in the Series Seven-I Refunding Account will not be invested in that account, but will be transferred to the Escrow Agent and held and disbursed under the terms of the Escrow Agreement for the advance refunding of the Series Seven-I Bonds. See "USE OF PROCEEDS – The Refunding" herein.

FUTURE FINANCING

The College regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The College does not anticipate financing any such projects with debt within the next twelve months.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Minnesota Statutes Sections 136A.25 through 136A.42), 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. Appointed Board members serve staggered four-year terms. A representative of the Minnesota Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

All Authority members must be residents of Minnesota. At least two members must reside outside the metropolitan area of Minneapolis-Saint Paul. At least one member must be knowledgeable in the field of municipal finance, at least one member shall be knowledgeable in the building construction field and at least one member shall be a trustee, director, officer, or employee of an institution of higher education.

The administration and overall operation of the Authority is the responsibility of its Executive Director, Barry W. Fick. Mr. Fick became the Executive Director of the Authority on July 13, 2016. He brings over 28 years of public finance and higher education finance experience to the Authority. Mr. Fick has a Bachelor of Science degree in Economics from the University of Minnesota and a Juris Doctorate from Mitchell | Hamline School of Law. He replaced Marianne T. Remedios, who retired after having been Executive Director since 2000. Prior to becoming Executive Director of the Authority, Mr. Fick served as Senior Vice President at Springsted Incorporated, Public Sector Advisors ("Springsted"). Springsted is the Municipal Advisor to the Authority. See "MUNICIPAL ADVISOR" herein.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $1.3 billion. The Authority has issued bonds totaling over $2.685 billion, of which approximately $932 million of Authority issued debt is outstanding as of October 1, 2017. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Each series of bonds or other obligations of the Authority issued for the benefit of a particular higher education institution is secured by a separate trust indenture or financing agreement (in the case of private placements). Consequently, each series of obligations of the Authority (with the exception of additional bonds with respect to that series) is separate and distinct as to security and source of payment. The Authority may authorize other series of bonds or other obligations for the financing of projects for other private nonprofit educational institutions eligible for Authority financing assistance,

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

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

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

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority and to refinance other debt for capital improvements.

The operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power. The Authority does not receive any funds from the State of Minnesota.

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

MUNICIPAL ADVISOR

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

The Municipal Advisor is under common ownership with Springsted Investment Advisors, Inc. ("SIA"), an investment advisor registered in the states where services are provided. SIA may provide investment advisory services to the Authority from time to time in connection with the investment of proceeds from the Bonds as well as advice with respect to portfolio management and investment policies for the Authority. SIA pays Springsted, as Municipal Advisor, a referral fee from the fees paid to SIA by the Authority.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $43,373,154.90 (representing the aggregate principal amount of the Bonds plus accrued interest of $-0-, less underwriter's discount of $147,149.75, and adjusted for net original issue premium of $3,205,304.65).

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

The Underwriter has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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

RATING

As noted on the cover page hereof, Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York, has assigned a long-term rating of "Aa3" to the Bonds. This rating reflects only the view of such rating agency. Further information concerning such rating is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are not aware of any litigation that is pending or overtly threatened in writing which would affect the validity of or the tax-exempt nature of the interest on the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either party to perform as described herein, or materially affect the ability of the College to make Loan Repayments in an amount sufficient to pay the principal of, premium, if any, or interest on the Bonds as the same become due.

LEGALITY

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

Certain legal matters will be passed upon for the College by Nilan Johnson Lewis PA, Minneapolis, Minnesota and for the Underwriter by Fox Rothschild LLP, Minneapolis, Minnesota.

TAX EXEMPTION

Federal Tax Considerations

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

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

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations.

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

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

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

Minnesota Tax Considerations

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

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

Changes in Federal and State Tax Law

From time to time there are proposals from the President or his administration, proposals from various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Original Issue Premium

The Bonds maturing on March 1 of the years 2018 through 2030, 2042, and 2048 have been sold to the public at amounts in excess of their stated redemption price at maturity (the "Premium Bonds"). Such excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Original Issue Discount

The Bonds maturing on March 1 of the years 2033 through 2037 have been sold to the public at amounts less than the principal amount of such maturities (the "Discount Bonds"). The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE 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 the College in 1874 and the College opened on September 15, 1885. Historically, the College has been affiliated with the Presbyterian Church (USA). The College has a diverse student body and does not discriminate based on religious preference or any other prohibited basis.

The 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. The College is also registered with the Minnesota Higher Education Services Office in accordance with Minnesota Statutes.

Governance

The College is governed by a Board of Trustees which consists of such number of members as may be determined from time to time by the Board. Currently there are 33 members, including the President of the College, who is a full voting member of the Board of Trustees. Except for the President, who serves as an ex-officio Trustee, the Board elects its own members. Elected Board members serve three-year overlapping terms.

Board of Trustees – Officers and Members

Date references above refer to Trustees’ graduation dates from the College and “P” references refer to Trustees who are parents of College students and those students’ graduation dates.

<u>President</u>

Brian C. Rosenberg is the 16th President of Macalester College and has held this position since August 2003. From 1998 to 2003, Dr. Rosenberg was Dean of the Faculty and professor of English at Lawrence University, Appleton, Wisconsin. Before that, Dr. Rosenberg was a professor of English and chair of the English Department at Allegheny College in Meadville, Pennsylvania from 1983 to 1998.

Dr. Rosenberg received his Bachelor’s degree in English from Cornell University, his Master’s degree in English from Columbia University, and his Ph.D. in English from Columbia University. Dr. Rosenberg is a scholar on Charles Dickens, and served on the board of trustees of the Dickens Society from 2000-2004.

Provost and Dean of the Faculty

Dr. Karine Swensen Moe has been Provost and Dean of the Faculty since 2015. Dr. Moe came to Macalester in 1995 as Assistant Professor of Economics. She received tenure in 2001 and was appointed the F. R. Bigelow Professor of Economics in 2010. In addition to teaching and scholarship, she has held numerous leadership positions at the College, including Presiding Officer of the Faculty, Chair of the Faculty Personnel Committee (twice), Chair of the Economics Department, and member of the President's strategic planning committee.

Dr. Moe received a B.A. from St. Olaf College and received a Master's in Public Policy from Harvard's Kennedy School, and received an M.A. and Ph.D. in Economics from the University of Minnesota.

Vice President of Administration and Finance/Chief Financial Officer

Mr. David Wheaton is the Vice President of Administration and Finance/Chief Financial Officer and has held this position since 2002. Previously, Mr. Wheaton served as the Vice President for Administration and Finance for the William Mitchell College of Law. Mr. Wheaton reports to the President and serves on the senior staff of the College. He is responsible for development and control of the College's budget, cash management, physical plant and off-campus properties, human resources, business services, and information technology. Mr. Wheaton chairs the task force on the budget, and serves as liaison to the resources and planning committee, as well as the trustee committees on finance, audit, and infrastructure, and is an ex officio member of the investment committee. Mr. Wheaton holds a Bachelor's degree from the University of Notre Dame, and a Master of Management (MBA) from Northwestern University.

Chief Investment Officer

Mr. Gary D. Martin became the College's Chief Investment Officer July of 2014. Previously, Mr. Martin was the Vice President for Pension Investments at SuperValu Inc, where he was directly responsible for overseeing the management of more than $8 billion in defined benefit and defined contribution plan assets. Prior to that, Mr. Martin held various positions over a 19-year period at Northwest Airlines in pension investments and cash management, leaving the airline as Assistant Treasurer for Cash & Pension Investments. He also worked at Fingerhut Corporation as the Budget/Forecast Analyst. He received an MBA in Finance and a BS in Economics from the University of Minnesota, and is a Chartered Financial Analyst and a Certified Cash Manger.

Other Members of the Senior Staff

D. Andrew Brown	Vice President for College Advancement
Paul Overvoorde	Associate Dean of Faculty
Donna A. Lee	Vice President for Student Affairs
Jeff Allen	Interim Dean of Admissions and Financial Aid

Campus and Buildings

The College campus occupies approximately 53 acres in a residential neighborhood, located four miles west of downtown Saint Paul, and the 280-acre Ordway Field Station on the Mississippi River. There are 65 buildings on or adjacent to the campus. The insured value of the campus buildings is estimated by the College to be approximately $339 million.

Over the past 20 years, the College has completed two phases of the Janet Wallace Fine Arts Center renovation ($63.5 million, with phase two opening in 2014) home of music, studio art, the College's art gallery, Art History program facilities and the complete renovation and expansion of the College's Facilities Services offices and shops. Markim Hall ($7.7 million, opened in 2009), is the home of the Institute for Global Citizenship and was awarded the Platinum Level of the Leadership in Energy and Environmental Design (LEED) program. The Leonard Center ($42 million, opened in 2008), is an athletic and wellness complex which was designed to promote significant energy reductions for the College. Other significant projects include construction of the Ruth Stricker Dayton Campus Center ($18.5 million, opened in 2001), renovation of Kagin Commons ($7.5 million, opened in 2002); a major renovation and expansion of two science halls ($22 million, opened in 1997), and a new residence hall ($6 million, opened in 1997).

Academic Information

Macalester College follows the early semester academic calendar of two 14-week semesters during the academic year. The normal student course load is considered to be four courses for 16 hours of credit during each of the fall and spring semesters. Macalester's 31 academic departments offer 38 majors with 63 areas of study. Ranked #16 among national Liberal Arts institutions for "putting a particular focus on undergraduate teaching" – U.S. News Spring 2017 survey, Macalester offers over 800 courses each year.

Student Enrollment

The actual full-time equivalent (FTE) enrollment is:

Fall Term	Total FTE	Total Number of Students
2013	2,020	2,039
2014	2,054	2,073
2015	2,149	2,172
2016	2,121	2,146
2017	2,107	2,136

Geographical Distribution of Student Body

Macalester students represent 49 U.S. states, the District of Columbia, Puerto Rico, and 90 countries. The following table summarizes the geographic distribution of full-time[(a)] students for the Fall Term 2017:

Place of Origin	Number of Students
Minnesota	293
California	187
Illinois	173
Wisconsin	149
New York	107
Washington	85
Massachusetts	83
Oregon	62
Iowa	41
Colorado	40
Maryland	39
Other States/Territories	492
International[(b)]	342
Total	2,093

(a) *43 part-time students are enrolled for the Fall Term 2017.*

(b) *Includes U.S. citizens living abroad.*

Freshmen Applications, Admissions and Enrollments

Fall Semester	Applications Received	Offers of Admission	Percent Admitted	Freshmen Enrolled	Percent of Admitted Enrolled	Median Composite SAT Scores
2013	6,680	2,283	34%	555	24%	2,060
2014	6,463	2,349	36%	541	23%	2,030
2015	6,030	2,353	39%	582	25%	2,040
2016	5,946	2,206	37%	506	23%	2,060
2017	5,900	2.395	41%	547	23%	2,060

Student Retention

The following student retention rates are based on tracking incoming freshmen through to graduation.

		Percent of Students Returning			Percent of Graduates	
Fall Semester	New Freshmen	2nd Year	3rd Year	4th Year	4 Years	By 5th Year
2012	534	95%	92%	90%	85%	88%
2013	555	94%	92%	91%	86%	
2014	541	95%	93%	91%		
2015	582	93%	91%			
2016	506	93%				
2017	543					

Tuition, Fees, Room and Board

The College meets the cost of educational programs primarily through tuition and fees. The following table lists the schedule of fees charged full-time undergraduate students for the fiscal years 2013-14 through 2017-18.

	2013-14	2014-15	2015-16	2016-17	2017-18
Tuition	$45,167	$46,974	$48,666	$50,418	$52,234
Room	5,412	5,608	5,810	6,020	5,434
Full Board	4,656	4,888	5,064	5,246	6,238
Student Activity Fees	221	221	221	221	230
Total	$55,456	$57,691	$59,761	$61,905	$64,136

Additional fees may be charged depending on activity or course of study.

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2017/18 Undergraduate Tuition, Fees, Room and Board Comparison
(Ranked by Comprehensive Charges)

The following list of colleges and universities is comprised generally of institutions that are ranked similarly to the College by U.S. News and World Report in its report on America's Best Colleges or with which the College has a substantial overlap of applications. The following table is a comparison of that group for tuition, fees, room and board, and comprehensive charges.

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges
Oberlin College	$53,510	$15,862	$69,372
Smith College	$52,334	$16,730	$69,064
Claremont McKenna College	$52,825	$16,220	$69,045
Tufts University	$54,318	$14,054	$68,372
Vassar College	$55,210	$12,900	$68,110
Colgate University	$53,980	$13,520	$67,500
Middlebury College	$52,496	$14,968	$67,464
Wesleyan University	$52,804	$14,466	$67,270
Bryn Mawr College	$51,350	$15,910	$67,260
Colby College[(a)]	--	--	$66,780
Carleton College	$52,782	$13,632	$66,414
Hamilton College	$52,770	$13,400	$66,170
Macalester College	**$52,464**	**$11,672**	**$64,136**
Grinnell College	$50,714	$12,400	$63,114
Washington & Lee University[(b)]	$50,170	$11,910	$62,080
Average:	$52,558	$14,052	$66,640

(a) *Colby College's breakdown of tuition, required fees, and room and board is not available.*

(b) *Room cost is for a double room.*

Source: *Information posted on each institution's website.*

Faculty and Staff

The teaching student-faculty ratio for the academic year 2016-17 was 10 to 1. There are no religious or denominational prerequisites or any participatory religious requirements for faculty or staff membership. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors ("AAUP") and the Association of American Colleges.

The College employs 182 full-time and 64 part-time teaching faculty. The total faculty payroll for Fiscal Year 2016-17 was approximately $25.9 million including benefits. The total faculty payroll for Fiscal Year 2017-18 is expected to be approximately $27.8 million including benefits.

Salaries of Full-Time Instructional Faculty – 2016-17 Academic Year

Academic Rank	Number of Faculty	Average Total Compensation[(a)]
Professor	67	$162,127
Associate Professor	47	117,684
Assistant Professor	31	99,806
No Rank[(b)]	37	84,907

(a) *Includes salary, life and health insurance, pension, long-term disability, unemployment insurance and workers compensation insurance.*

(b) *Faculty without rank are persons hired on a visiting (temporary) basis.*

Of the full-time faculty reported on the Fiscal Year 2016-17, 93% hold terminal degrees; 80% were tenured/tenure track.

Collective Bargaining Units

The International Union of Operating Engineers, Local 70, AFL-CIO, Saint Paul, Minnesota represents employees in two collective bargaining agreements at the College. The maintenance unit, composed of 53 employees, represents custodians, grounds persons, and skilled crafts positions. The engineer unit, composed of 11 employees, represents maintenance and operating engineers. Both agreements expire on May 31, 2018. These are the only two bargaining units at the College. The College considers its relations with its employees to be good.

Pension Plans

The College provides retirement benefits to substantially all employees. Certain academic and non-academic personnel are covered under a defined contribution plan with Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), and Vanguard Fiduciary Trust Company. A retirement 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. Total benefit expenses for the fiscal years ended May 31, 2017 and 2016 are estimated to be approximately $4.4 million and $4.3 million, respectively.

Financial Aid

For the 2016-17 academic year, approximately 83% of the student body, received some form of federal, State and/or College financial aid. No assurance can be given that federal or State student financial aid or College aid will continue to be funded at current levels.

The following table shows a five-year history of financial aid awarded to students of the College from all sources, excluding non-need based aid such as SELF and PLUS loans.

	2012-13	2013-14	2014-15	2015-16	2016-17
Grants	$47,825,319	$48,328,187	$51,019,182	$55,543,698	$56,959,448
Loans	2,714,260	2,532,366	2,257,174	1,940,236	1,355,414
Work-Study	3,042,217	2,919,092	2,934,077	3,319,099	3,231,500
Total	$53,581,796	$53,779,645	$56,210,433	$60,803,033	$61,546,362
Percent of Full-Time Students Receiving Aid	79%	78%	80%	81%	83%
Average Award Per Recipient	$34,020	$34,831	$35,242	$35,599	$35,929

Market Value of Long-Term Investments

The College treats its long-term investments as the principal component of the College's endowment. The following table shows the market value of the College's long-term investments for the past five fiscal years.

Fiscal Year	Long-Term Investments*
2013	$683,818,000
2014	734,207,000
2015	761,275,000
2016	686,040,000
2017	764,803,000

* *Includes beneficial interest in perpetual trust.*

According to The Chronicle of Higher Education's 2017-2018 Almanac of Higher Education, dated August 18, 2017, the College ranked 134th among liberal arts institutions (as identified by The Chronicle of Higher Education) reporting on the market value of total endowment assets at the end of Fiscal Year 2016.

The College's total net assets and assets by asset class for the past five fiscal years are as follows:

Fiscal Year	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
2013	$180,087,000	$324,509,000	$353,907,000	$858,503,000
2014	193,149,000	369,709,000	361,357,000	924,215,000
2015	199,529,000	392,249,000	362,542,000	954,320,000
2016	196,200,000	322,092,000	361,333,000	879,625,000
2017	203,984,000	365,316,000	364,212,000	933,512,000

Endowment Draw Policy and Investment Objectives

The College has a blended endowment draw policy. Half of the allowable spending in the previous fiscal year is increased by 2%, and that amount represents one-half of the current fiscal year endowment draw. The other half of the draw is computed as 5% of a trailing a 16-quarter average market value of long-term investments. The amount to be spent is constrained by a test to ensure the formula does not create a spending amount that is too large or too small relative to the current endowment size. The College's Finance Committee determines the disposition of the funds drawn from the endowment. Historically, the vast majority of the funds have been used to support current operations, including student aid. For further information, please see Appendix VII of this Official Statement containing the College's audited financial statements for the fiscal years ended May 31, 2017 and 2016.

Private Gifts and Grants

Private gifts and grants revenues received by fund for the past five years as reported in the annual financial statements of the College have been:

Fiscal	Current Funds		Endowment	Deferred	Plant	
Year	Unrestricted	Restricted	Funds	Gift Funds	Funds	Total
2013	$4,336,000	$2,123,000	$2,243,000	$149,000	$2,175,000	$11,026,000
2014	3,603,000	5,053,000	3,250,000	94,000	1,283,000	13,283,000
2015	5,409,000	3,778,000	1,514,000	25,000	261,000	10,987,000
2016	4,029,000	2,457,000	1,745,000	0	250,000	8,481,000
2017	4,540,000	5,837,000	2,129,000	170,000	297,000	12,973,000

Statement of Unrestricted Activities for Fiscal Years 2013 through 2017

The following table summarizes the College's statements of unrestricted activities for the Fiscal Years ended May 31, 2013 through 2017. For more complete information of the College for the Fiscal Years ended May 31, 2016 and 2017, see Appendix VII of this Official Statement containing the College's audited financial statements for such period.

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Macalester College
Statement of Unrestricted Activities
Years Ended May 31
(in thousands of dollars)

	2013	2014	2015	2016	2017
Operating Activities					
Revenues and other additions:					
Tuition and fees	$ 87,520	$ 90,305	$ 94,616	$ 102,722	$ 105,206
Less: Student aid and scholarship	(44,574)	(44,822)	(47,674)	(52,097)	(53,592)
Net tuition and fees	42,946	45,483	46,942	50,625	51,614
Federal grants and contracts	1,756	1,672	1,561	1,562	1,686
State grants and contracts	244	208	134	257	299
Private gifts and grants	4,336	3,603	5,409	4,029	4,540
Sales and service of auxiliary enterprises	14,090	14,996	15,178	15,995	16,020
Other sources	1,177	1,171	1,038	1,127	1,019
Investment income			197	223	292
Endowment payout	3,337	3,286	3,438	3,641	3,807
Realized and unrealized gains (losses) on investments:	2	177	(140)	(111)	(76)
Gain (loss) on disposal of fixed assets	(102)	(246)	(22)	(8)	25
Net assets released from restrictions	30,989	31,419	33,811	35,512	36,187
Total operating revenue and other additions	98,775	101,769	107,546	112,852	115,413
Expenses:					
Program					
Instruction	36,237	38,708	40,822	42,584	42,922
Research	1,844	2,036	1,873	1,996	2,191
Public service	466	276	256	168	148
Academic support	10,623	10,818	11,638	12,410	12,642
Student services	20,043	20,386	21,306	22,499	23,062
Auxiliary enterprises	10,296	10,746	11,015	11,524	11,590
Institutional support	19,840	19,226	19,003	20,422	21,534
Total expenses	99,349	102,196	105,913	111,603	114,089
Change in net assets from operating activities	(574)	(427)	1,633	1,249	1,324
Nonoperating Activities					
Investment-related:					
Realized and unrealized gains on investments	$ 10,670	$ 9,350	$ 7,198	$ (579)	$ 9,393
Investment income	122	327	48	437	175
Endowment payout for operations	(3,337)	(3,286)	(3,438)	(3,641)	(3,807)
Change in value of planned giving agreements	39	28	0	0	0
Gift-related:				(30)	39
Private gifts and grants restricted for long term investment	557	33	194	42	0
Private gifts and grants restricted for capital projects	75	446	255	220	0
Other:					
Change in value of interst rate swap	355	391	442	(1,075)	559
Net assets released from restrictions	17,909	6,200	48	48	101
Total nonoperating revenues and other additons	26,390	13,489	4,747	(4,578)	6,460
Transfer of assets to outside entity	0	0	0	0	0
Effect of change in accounting treatment	0	0	0	0	0
Change in net assets from nonoperating activities	26,390	13,489	4,747	(4,578)	6,460
Change in net assets	25,816	13,062	6,380	(3,329)	7,784
Unrestricted net assets beginning of year	154,271	180,087	193,149	199,529	196,200
Unrestricted net assets end of year	$ 180,087	$ 193,149	$ 199,529	$ 196,200	$ 203,984

Source: Audited Financial Statements of the College.

Long-Term Debt of the College (as of October 1, 2017)

1. $6,660,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-Z (Macalester College), dated September 15, 1994 (the “Series Three-Z Bonds”). The College provides liquidity for the Series Three-Z Bonds, which are an unsecured general obligation of the College. Holders may tender bonds on seven days' notice and interest is re-set weekly. To facilitate the availability of sufficient funds, the College maintains a custodial account. The College is required to own, on each semi-annual valuation date, investments having a market value in excess of the purchase price of outstanding Series Three-Z Bonds, but the College is not required to maintain any specified amount of liquid funds at any other times. The outstanding balance on the Series Three-Z Bonds is $6,660,000, all scheduled to mature in March 2024.

2. $15,300,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-Q (Macalester College), dated February 20, 2003 (the “Series Five-Q Bonds”). The College provides liquidity for the Series Five-Q Bonds, which are an unsecured general obligation of the College. Holders may tender bonds on seven days' notice and interest is re-set weekly. To facilitate the availability of sufficient funds, the College has maintained a custodial account, but the College has no obligation to continue to maintain the account or to otherwise reserve liquid funds. The Series Five-Q Bonds are subject to an interest rate swap in the notional amount of $15,300,000 that expires on March 1, 2030. The outstanding balance on the Series Five-Q Bonds is $15,300,000, all scheduled to mature in March 2033.

3. $39,490,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-P (Macalester College), dated March 1, 2007. The Series Six-P bonds are an unsecured general obligation of the College. The true interest cost on the Series Six-P Bonds as of the issue date was 4.34% with the final maturity due March 1, 2032. The Series Six-P Bonds were previously partially refunded with proceeds of the $22,660,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Eight-J (Macalester College), dated October 1, 2015. The outstanding balance on the Series Six-P Bonds is $5,905,000. **The Series Six-P Bonds will be refunded in full as a current refunding with proceeds of the Bonds.**

6. $16,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-I (Macalester College), dated December 17, 2010. The Series Seven-I Bonds are an unsecured general obligation of the College. The true interest cost on the Series Seven-I Bonds as of the issue date is 4.60% with the final maturity due June 1, 2035. The outstanding balance on the Series Seven-I Bonds is $13,865,000. **The Series Seven-I Bonds will be refunded and defeased in full as an advance refunding with proceeds of the Bonds.**

7. $14,730,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-S (Macalester College), dated December 12, 2012. The Series Seven-S Bonds are an unsecured general obligation of the College. The true interest cost on the Series Seven-S Bonds as of the issue date was 3.28% with the final maturity due May 1, 2043. The outstanding balance on the Series Seven-S Bonds is $14,190,000.

8. $22,660,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Eight-J (Macalester College), dated October 1, 2015. The Series Eight-J Bonds are an unsecured general obligation of the College. The true interest cost on the Series Eight-J Bonds as of the issue date was 2.88% with the final maturity due March 1, 2032. The outstanding balance on the Series Eight-J Bonds is $21,985,000.

Pro Forma Maximum Annual Debt Service and Coverage Ratios

The following table sets forth pro forma maximum annual debt service ("MADS") and coverage ratios using Revenue Available for Debt Service based on the College's fiscal year ended May 31, 2017 financial statements and pro forma MADS based on assumptions described in Note 1 below.

The table below is not intended to be, nor should it be, considered a projection or guarantee of the College's total debt service or MADS. Any additional future indebtedness will increase the College's MADS requirements.

	Fiscal Year Ended May 31, 2017
Unrestricted Net Operating Income	$ 1,324,000
Plus: Depreciation and Amortization	9,104,000
Interest Expense on Funded Debt	3,628,000
(A) FY 2017 Revenue Available for Debt Service	**$14,056,000**
(B) Pro forma MADS for Outstanding Debt (see Note 1)	$7,893,544
Pro Forma MADS Coverage Ratio (A divided by B)	**1.78x**
(C) Pro forma MADS for Outstanding and Projected Debt (see Notes 1 & 2)	$8,926,231
Pro Forma MADS Coverage Ratio (A divided by C)	**1.57x**

Note 1 *The College's existing long-term debt ("Outstanding Debt") includes two series of variable rate demand bond indebtedness ("VRDBs"): $6,660,000 Series Three-Z Bonds maturing in Fiscal Year 2024 and $15,300,000 Series Five-Q Bonds maturing in Fiscal Year 2033. The Series Three-Z Bonds and the Series Five-Q Bonds that are not subject to an interest rate swap are assumed to bear interest at approximately the 20-year average of SIFMA (rounded up to 2.00%). The Series Five-Q Bonds that are subject to an interest rate swap are assumed to bear interest at the existing fixed payor swap rate of 2.07% to maturity.*

The VRDBs, each of which is balloon indebtedness with 100% of principal due at maturity, are assumed to amortize with level annual debt service. While the College is not currently making principal payments on its balloon indebtedness, the College is setting aside monies from operations to satisfy balloon payments when they become due. The College could discontinue or modify its practice of setting aside monies as described herein at any time or could use the monies set aside for any purpose of the College at any time.

Note 2 *Projected Debt includes the Bonds in the principal amount of $40,315,000 and rates as described on the cover hereof, excludes debt service on the Series Six-P Bonds and the Series Seven-I Bonds, and includes all other Outstanding Debt of the College.*

The following table displays the College's pro forma debt service based on the assumptions described above in Notes 1 and 2 above.

MACALESTER COLLEGE – PRO FORMA DEBT SERVICE

	Three-Z [1]	Five-Q [2]	Six-P	Seven-I	Seven-S	Eight-J	Current Debt Service	Refund Six-P	Refund Seven-I	Series 2017	Future Debt Service
2018	1,023,688	1,127,492	2,375,250	1,164,950	841,306	1,343,064	7,875,751	(2,227,625)	(1,164,950)	3,625,216	8,108,391
2019	1,025,687	1,130,518	1,076,250	1,164,500	845,356	2,650,464	7,892,776	(1,076,250)	(1,164,500)	3,062,075	8,714,101
2020	1,022,578	1,128,156	1,077,000	1,170,950	843,956	2,642,519	7,885,159	(1,077,000)	(1,170,950)	3,144,075	8,781,284
2021	1,023,611	1,130,458	1,080,500	1,168,200	842,256	2,648,519	**7,893,544**	(1,080,500)	(1,168,200)	3,213,075	8,857,919
2022	1,024,510	1,127,371	1,081,500	1,167,900	845,256	2,644,769	7,891,306	(1,081,500)	(1,167,900)	3,284,325	**8,926,231**
2023	1,025,009	1,128,948	-	1,175,400	842,806	2,131,519	6,303,682	-	(1,175,400)	2,283,125	7,411,407
2024	1,025,164	1,130,111	-	1,173,900	843,244	2,130,019	6,302,437	-	(1,173,900)	2,284,125	7,412,662
2025	-	1,125,886	-	1,170,900	842,913	2,130,269	5,269,967	-	(1,170,900)	2,276,875	6,375,942
2026	-	1,126,325	-	1,169,850	844,563	1,536,519	4,677,256	-	(1,169,850)	2,284,075	5,791,481
2027	-	1,126,349	-	1,174,250	840,763	1,538,269	4,679,630	-	(1,174,250)	2,286,575	5,791,955
2028	-	1,125,960	-	1,176,500	841,663	1,537,019	4,681,141	-	(1,176,500)	2,285,825	5,790,466
2029	-	1,130,130	-	1,176,750	842,113	1,537,769	4,686,761	-	(1,176,750)	2,286,825	5,796,836
2030	-	1,128,809	-	1,180,000	842,113	1,533,894	4,684,815	-	(1,180,000)	2,294,325	5,799,140
2031	-	1,127,074	-	1,181,000	841,663	1,538,719	4,688,455	-	(1,181,000)	2,292,825	5,800,280
2032	-	1,129,899	-	1,179,750	845,763	1,535,119	4,690,531	-	(1,179,750)	2,289,675	5,800,456
2033	-	1,127,233	-	1,181,250	844,263	-	3,152,745	-	(1,181,250)	2,295,175	4,266,670
2034	-	-	-	1,185,250	840,900	-	2,026,150	-	(1,185,250)	2,294,025	3,134,925
2035	-	-	-	1,186,500	842,050	-	2,028,550	-	(1,186,500)	2,296,375	3,138,425
2036	-	-	-	-	842,550	-	842,550	-	-	1,112,075	1,954,625
2037	-	-	-	-	842,400	-	842,400	-	-	1,111,675	1,954,075
2038	-	-	-	-	841,800	-	841,800	-	-	1,109,800	1,951,600
2039	-	-	-	-	845,200	-	845,200	-	-	1,111,000	1,956,200
2040	-	-	-	-	842,400	-	842,400	-	-	1,111,000	1,953,400
2041	-	-	-	-	843,600	-	843,600	-	-	1,114,800	1,958,400
2042	-	-	-	-	843,600	-	843,600	-	-	1,112,200	1,955,800
2043	-	-	-	-	842,400	-	842,400	-	-	1,113,400	1,955,800
2044		-			-					1,113,200	1,113,200
2045		-								1,111,600	1,111,600
2046										1,113,600	1,113,600
2047										1,114,000	1,114,000
2048										1,112,800	1,112,800
										-	
	7,170,247	18,050,720	6,690,500	21,147,800	21,916,894	29,078,446	104,054,607	(6,542,875)	(21,147,800)	60,539,741	136,903,673

Maximum annual debt service is bold and shaded above.

[1] Series Three-Z is assumed to amortize with level annual debt service at an approximate 20-year average SIFMA rate of 2.00%

[2] Series Five-Q is assumed to amortize with level annual debt service at its current swap rate of 2.07% until maturity

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PROPOSED FORM OF LEGAL OPINION

Kennedy & Graven
CHARTERED

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$40,315,000
Minnesota Higher Education Facilities Authority
Revenue and Refunding Bonds
Series 2017
(Macalester College)

We have acted as Bond Counsel to the Minnesota Higher Education Facilities Authority (the "Authority") in connection with the issuance by the Authority, on the date hereof, of its Revenue and Refunding Bonds, Series 2017 (Macalester College) (the "Bonds"), in the original aggregate principal amount of $40,315,000. Any capitalized terms used herein that are otherwise undefined shall have the meanings assigned to such terms in the Trust Indenture, dated as of November 1, 2017 (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), or in the Loan Agreement, dated as of November 1, 2017 (the "Loan Agreement"), between the Authority and Macalester College, a Minnesota nonprofit corporation and institution of higher education with its campus in the City of Saint Paul, Minnesota (the "Corporation").

For the purpose of rendering this opinion, we have examined: (i) a certified copy of the series resolution adopted by the Board of the Authority on September 20, 2017, in connection with the issuance of the Bonds under the provisions of Minnesota Statutes, Sections 136A.25 through 136A.42, as amended (the "Act"); (ii) an executed counterpart of the Indenture; (iii) an executed counterpart of the Loan Agreement; (iv) an executed counterpart of the Escrow Agreement, dated as of November 1, 2017 (the "Escrow Agreement"), between the Authority, the Corporation, and Wells Fargo Bank, National Association, as Trustee, the Series Seven-I Trustee, and the Escrow Agent; (v) a form of the Bonds; (vi) the opinion of even date herewith of Nilan Johnson Lewis P.A., Minneapolis, Minnesota, as counsel to the Corporation; and (vii) such other documents as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Corporation contained in the Indenture, the Loan Agreement, the Escrow Agreement, and certain other documents, instruments, and certificates executed and delivered on the date hereof, and upon the certified proceedings of the Authority and other certifications of public officials furnished to us and certifications by officers of the Corporation (including, but not limited to, certifications as to the use of Bond proceeds) without undertaking to verify the same by independent investigation. To the extent that the opinions rendered herein are dependent on the organization and operation of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and exempt from federal income taxation under Section 501(a) of the Code and as to the characterization of the activities of the Corporation in connection with the use of the facilities financed and refinanced with the proceeds of the Bonds as activities that do not constitute an unrelated trade or business under Section 513(a) of the Code, we are relying on the representations of the Corporation and the opinion of even date herewith of Nilan Johnson Lewis P.A., Minneapolis, Minnesota, as counsel to the Corporation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect prior to the date hereof), regulations, rulings and judicial or other decisions, it is our opinion that:

1. The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota with authority under the Act to issue the Bonds, to loan the proceeds thereof to the Corporation pursuant to the provisions of the Loan Agreement, and to pledge the loan repayments and certain other interests in the Loan Agreement to the Trustee pursuant to the terms of the Indenture to secure the Bonds. The Authority has full power and authority to execute and deliver the Bonds, the Indenture, the Loan Agreement, and the Escrow Agreement.

2. The Authority has complied with all applicable provisions of the Constitution and laws of the State of Minnesota, including the Act, and has full power and authority to execute and deliver the Bonds, the Loan Agreement, the Indenture, the Escrow Agreement and the other documents to which it is a party (collectively, the "Authority Documents"), and to carry out the terms thereof.

3. The Authority Documents have been duly and validly authorized, executed, and delivered by the Authority and, assuming due authorization and execution by the other parties thereto, are valid instruments legally binding on the Authority and legally enforceable in accordance with their terms, except to the extent that enforceability of the indemnification provisions in the Loan Agreement is limited by state and federal securities laws.

4. The Bonds have been duly and validly executed and delivered by the Authority, and are valid and binding special, limited obligations of the Authority equally and ratably secured by and entitled to the benefits provided by the Indenture and are enforceable in accordance with their terms. The Bonds are not a general or moral obligation of the Authority and do not constitute indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority, or a charge against the general credit or taxing powers of the Authority, but are payable solely from the revenues pledged to the payment thereof in accordance with the provisions of the Indenture.

5. The Bonds are "private activity bonds" within the meaning of Section 141(a) of the Code, but bear interest (including any original issue discount allowable to an owner thereof) not includable in gross income for purposes of federal income taxation under Section 103(a) of the Code, pursuant to the exemption for "qualified 501(c)(3) bonds" provided in Section 145 of the Code. Interest on the Bonds is not includable in the net taxable income of individuals, trusts, or estates for State of Minnesota income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations and the Minnesota alternative minimum tax applicable to individuals, estates, and trusts. Interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to the State of Minnesota franchise tax imposed on corporations and financial institutions. The opinion set forth in this paragraph is subject to the condition that the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in gross and net taxable income retroactive to the date of issuance of the Bonds. The Corporation has covenanted to comply with such requirements. We express no opinion regarding other federal or state tax consequences arising with respect to ownership of the Bonds or caused by the receipt or accrual of interest thereon.

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

This opinion is based on an analysis of existing laws, regulations, rulings and court decisions and the opinions expressed herein may be affected by actions taken or omitted or events occurring after the date hereof. The opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated this _____ day of November, 2017, at Minneapolis, Minnesota.

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APPENDIX III

INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be the date that is 210 days after the fiscal year end, commencing with the fiscal year ended May 31, 2018. The Annual Report will contain:

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

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

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

- Student Enrollment
- Geographical Distribution of Student Body
- Freshman Applications, Admissions and Enrollments
- Student Retention
- Tuition, Fees, Room and Board
- Faculty and Staff
- Pension Plans
- Financial Aid
- Market Value of Long-Term Investments
- Private Gifts and Grants

Material Events to be Disclosed

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

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults, if material;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders, if material;
(viii) Bonds calls, if material, and tender offers;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities, if material;
(xi) Rating changes;
(xii) Tender offers;
(xiii) Bankruptcy, insolvency, receivership or similar event of the College (when such event is considered to have occurred under the Rule);
(xiv) The consummation of a merger, consolidation, or acquisition involving the College or the sale of all or substantially all of the assets of the College, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(xv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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APPENDIX IV

DEFINITIONS OF CERTAIN TERMS

Following are definitions of certain words and terms as used in the Indenture and Loan Agreement related to the Bonds. Definitions of some of the words and terms below may also appear elsewhere in this Official Statement.

2017 Project Facilities: the Project Facilities specifically related to the Project.

Account or *Accounts*: one or more of the Accounts created under the Indenture.

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

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

Authorized Authority Representative: the person at the time designated to act on behalf of the Authority by written Certificate furnished to the College and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary, or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such Certificate may designate an alternate or alternates and in that case, specimen signatures for the alternates will be provided as well.

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

Authorized Institution Representative: the President or the Vice President of Administration and Finance or any other 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 Chair, the Vice Chair or the Treasurer of its Board of Trustees or by the President or the Vice President of Administration and Finance of the College. Such Certificate may designate an alternate or alternates.

Authorized Investments: investments authorized for moneys in the Accounts created under and described in the Indenture.

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

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

Bond and Interest Sinking Fund Account: the Bond and Interest Sinking Fund Account established pursuant to the Indenture.

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

Bond Purchase Agreement: the Bond Purchase Agreement, between the Authority, the Underwriter, and the College, relating to the Bonds.

Bond Resolution: the Series Resolution of the Authority adopted on September 20, 2017, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: the Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2017 (Macalester College).

Bond Year: with respect to the Bonds, (a) the period from the Issue Date to the close of business on November 1, 2018, and (b) each succeeding twelve (12) month period ending at the close of business on November 1 of each year in which the Outstanding Bonds, if paid at their stated maturity dates, will be Outstanding.

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

Book-Entry System: a system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its Participants (or Indirect Participants).

Building Equipment: those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the College and located on the Project Site acquired from funds other than the proceeds of the Bonds, the Prior Bonds, the Series Four-U1 Bonds, the Series Four-U2 Bonds, or the Series Three-J Bonds.

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

Certificate: a certification in writing required or permitted by the provisions of the Loan Agreement or the Indenture to be signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions the Indenture, each Certificate must include the statements provided for in the Indenture.

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

College or *Corporation*: Macalester College, a Minnesota nonprofit corporation, as owner and operator of the Institution, its successors and assigns.

Construction Account: the Construction Account established under the Indenture.

Continuing Disclosure Certificate: the Continuing Disclosure Certificate of the College, to be dated as of November 1, 2017.

Costs of Issuance: expenses of issuing the Bonds (including underwriter's discount) within the limits of Section 147(g) of the Code.

Costs of Issuance Account: the Costs of Issuance Account established under the Indenture.

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

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

Depository: DTC or any other person who is a Holder of all the Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, College and Trustee to act as the Depository; provided any Depository must be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

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

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

EMMA: the Electronic Municipal Market Access System maintained by the Municipal Securities Rulemaking Board or such successor municipal finance electronic filing system.

Equity: Project Costs to be paid from funds of the College and which will not be reimbursed from proceeds of the Bonds.

Escrow Account: the Escrow Account established under the Escrow Agreement.

Escrow Agent: Wells Fargo Bank, National Association, in its capacity as escrow agent under the Escrow Agreement.

Escrow Agreement: the Escrow Agreement between the College, the Authority, and Wells Fargo Bank, National Association, in its capacity as the Escrow Agent, the Series Seven-I Trustee, and the Trustee, to be dated as of November 1, 2017.

Event of Default: an Event of Default described in the Indenture or Loan Agreement and summarized in this Official Statement in the sections entitled "SUMMARY OF DOCUMENTS – THE INDENTURE – Events of Default" and "SUMMARY OF DOCUMENTS – THE LOAN AGREEMENT – Events of Default."

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

Fiscal Year: the College's fiscal year, which initially means the twelve (12) month period commencing on June 1 in each year.

Holder, *Bondholder*, or *Owner*: the person in whose name a Bond is registered, except if any Bond is in Book-Entry Form, with respect to any consent or approval of a Holder of Bonds, the terms mean the Beneficial Owner.

Indenture: the Trust Indenture between the Authority and the Trustee, to be dated as of November 1, 2017, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Independent: when used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent,

(ii) does not have any material financial interest in the College or the Institution or the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority or the College or the Institution as an officer, employee or member of the Authority, the College or the Institution or Board of Regents of the College.

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

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

Indirect Participant: any person who is not a Participant, who clears securities through or maintains a custodial relationship with a Participant, either directly or indirectly, and who has access to the Book-Entry System.

Institution: Macalester College, a Minnesota institution of higher education with its main campus located in the City of Saint Paul, Minnesota owned and operated by the Corporation. The Institution is also referred to as the "College" elsewhere in this Official Statement.

Institution Facilities: collectively, the buildings and other improvements owned and operated by the College and located on, and which constitute in the aggregate the physical plant of, the Institution's main campus in Saint Paul, Minnesota.

Interest Payment Date: March 1 and September 1of each year, commencing March 1, 2018, and any other date on which the principal of or interest on the Bonds is due and payable.

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

Loan Agreement: the Loan Agreement between the Authority and the College, to be dated as of November 1, 2017, as from time to time amended or supplemented.

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

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

Opinion of Counsel: a written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the College or Authority, and to the extent required by the provisions of the Indenture, each Opinion of Counsel must include the statements provided for in said Indenture.

Outstanding: when used as of any particular time with reference to Bonds, without regard to capitalization of such term (subject to the provisions of the Indenture pertaining to Bonds held by the Authority and the College), all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption must be given pursuant to the Indenture, or provision satisfactory to the Trustee must be made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee pursuant to the terms of the Indenture pertaining to replacement of Bonds.

Participant: any securities broker or dealer, bank, trust company, clearing corporation or other organization entitled to directly record, clear and settle the transfers of beneficial ownership interest of the Bonds directly through the Depository and the Book-Entry System.

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

Prior Bond Documents: collectively, the Series Six-P Bond Documents and the Series Seven-I Bond Documents.

Prior Bonds: collectively, the Series Six-P Bonds and the Series Seven-I Bonds.

Prior Bonds Loan Agreements: collectively, the Series Six-P Loan Agreement and the Series Seven-I Loan Agreement.

Prior Bonds Project: collectively, Series Six-P Project, the Series Seven-I Project, the Series Four-U1 Project, and the Series Three-J Project.

Project: the demolition of the current 38,000 square foot theater and dance building and the acquisition, construction, renovation, remodeling, furnishing and equipping of an approximately 58,000 square foot structure to house all theater and dance programming and nine classrooms, which will form the southwest corner of the Janet Wallace Fine Arts complex.

Project Buildings: the facilities acquired, improved or constructed with proceeds of the Bonds, including investment earnings, and any other building constructed or improved, or refinanced, with the proceeds of the Prior Bonds, the Series Four-U1 Bonds, the Series Four-U2 Bonds or the Series Three-J Bonds, including investment earnings.

Project Costs: costs of the Project as provided in the Indenture.

Project Equipment: all fixtures, equipment, and other personal property of a capital nature acquired, or refinanced, with proceeds of the Prior Bonds, the Series Four-U1 Bonds, the Series Four-U2 Bonds, the Series Three-J Bonds, or the Bonds, including investment earnings.

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

Project Site: the land or interests in land described in the Loan Agreement which are owned by the College, and on which any Project Buildings are or will be located or otherwise improved as part of the Prior Bonds Project or the Project.

Redeem or *redemption*: "prepay" or "prepayment" as the case may be, without regard to capitalization of such terms.

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 will be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account; and (ii) to redeem or prepay outstanding Bonds to the extent permitted or required and to purchase outstanding Bonds for redemption and cancellation. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Code if the College or the Authority fails to provide for payment of any rebate.

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

Series Seven-I Bond Account: the Bond and Interest Sinking Fund Account created under the Series Seven-I Indenture.

Series Seven-I Bonds: the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-I (Macalester College), dated December 17, 2010, issued in the original principal amount of $16,000,000, the proceeds of which were loaned by the Authority to the College to finance the Series Seven-I Project.

Series Seven-I Project: the renovation and expansion of a portion of the Janet Wallace Fine Arts complex, including the construction of new classrooms, an art gallery, commons area, faculty offices, rehearsal rooms, and a renovated concert hall, all originally financed by the Series Seven-I Bonds.

Series Seven-I Redemption Date: June 1, 2020.

Series Seven-I Refunding: the refunding, on an advance refunding basis, of the Series Seven-I Bonds maturing on and after June 1, 2021.

Series Seven-I Refunding Account: the Series Seven-I Refunding Account established under the Indenture for the deposit of certain Bond proceeds to be used to refund the Series Seven-I Bonds.

Series Seven-I Trustee: Wells Fargo Bank, National Association, in its capacity as trustee under the Series Seven-I Indenture.

Series Six-P Bonds: the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-P (Macalester College), dated March 1, 2007, issued in the original principal amount of $39,400,000, the proceeds of which were loaned by the Authority to the College to refund the Series Four-U1 Bonds and the Series Four-U2 Bonds and to finance the Series Six-P Project.

Series Six-P Project: the acquisition, construction and equipping of a new athletic complex including a field house, gymnasium, pool, exercise areas, locker rooms and athletic department administrative offices, constituting approximately 178,000 square feet, together with other improvements including new or relocated athletic fields related to or necessitated by the development of the athletic complex, all originally financed by the Series Six-P Bonds.

Series Six-P Redemption Date: December 8, 2017.

Series Six-P Refunding: the refunding, on a current refunding basis, of the Series Six-P Bonds maturing on and after March 1, 2018.

Series Six-P Refunding Account: the Series Six-P Refunding Account established under the Indenture for the deposit of certain Bond proceeds to be used to refund the Series Six-P Bonds.

State: the State of Minnesota.

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

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

Trustee: the trustee at the time serving as such under the Indenture. The initial Trustee is Wells Fargo Bank, National Association, Minneapolis, Minnesota.

Underwriter: Piper Jaffray & Co., as original purchaser of the Bonds.

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APPENDIX V

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 Appendix IV – "DEFINITIONS OF CERTAIN TERMS."

Construction of Project

The College reasonably expects that acquisition, construction, furnishing, and equipping of the Project will be substantially completed by no later than June 30, 2019 subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project will accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which is required to be furnished to the Trustee, provided that no such amendment of the description of the Project may be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax-exempt status of interest on the Bonds and an Opinion of Counsel who is bond counsel to the Authority must be furnished to the College, the Authority, and the Trustee to such effects. The College agrees that it has paid or will pay all costs relating to the acquisition, construction, furnishing and equipping of the Project to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

Redemption of Prior Bonds

The College represents that it will redeem and prepay the Series Six-P Bonds on the Series Six-P Redemption Date and that it will cause the interest due on the Series Seven-I Bonds to be paid to and including the Series Seven-I Redemption Date and will redeem and prepay the Series Seven-I Bonds on the Series Seven-I Redemption Date.

Loan Repayments and Additional Payments

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 and premium, if any, on the Bonds when due. To provide for such payments the College covenants to pay for the account of the Authority the following amounts:

(a) At least one (1) Business Day prior to each March 1 and September 1, commencing March 1, 2018, the College is required to deposit into the Bond and Interest Sinking Fund Account, a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least one (1) Business Day prior to each March 1, commencing on March 1, 2018, a sum equal to the amount payable as principal (whether at maturity or mandatory sinking fund redemption) of the Bonds on such principal payment date; provided however, that there will be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account (including amounts transferred from the Construction Account pursuant to the Indenture), and (ii) any credits permitted by the Indenture relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds; and

(b) On or prior to a date established for the optional redemption or mandatory redemption and prepayment of any Bonds pursuant to the Loan Agreement, the College must deposit into the Redemption Account such amount, if any, as is necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and

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

(d) The College will deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of the Loan Agreement and the Indenture, relating to arbitrage rebate.

Each Loan Repayment will be made directly to the Trustee at its designated corporate trust office for the account of the Authority for deposit as provided in 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 in the forepart of this Offering Statement under the heading "THE BONDS."

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

Use of Project Facilities

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

Maintenance of Project Facilities

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

Operating Expenses and Liens

The College will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities, and will not permit to be established or to remain unsatisfied any mechanics' lien for labor or materials furnished in connection with the acquisition and construction of the Project or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements of the Project Facilities; provided that the College may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee notifies the College that, in the Opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the College must promptly pay and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

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

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

Insurance

The College is required to maintain, or cause to be maintained, at its cost and expense, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents, under a policy or policies covering such risks as are ordinarily insured against by similar institutions, including fire and extended coverage in an amount not less than eighty percent (80%) of the full insurable replacement value of the Project Facilities, with a deductible amount of not more than $250,000.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, including owned, non-owned and hired automobiles, against liability for injuries to persons in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $10,000,000, with a deductible amount of not more than $250,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $250,000.

(c) Workers' compensation insurance respecting all employees of the College in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College; provided that the College may be self-insured with respect to all or any part of its liability for workers' compensation.

Upon the written request of the College, the Trustee may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any comprehensive general public liability, if consistent with recommendations of an Independent insurance consultant.

Each required policy must contain a provision that the insurer will not cancel or modify the policy without giving written notice to the College and the Trustee at least thirty (30) days before the cancellation or modification of the policy set forth above becomes effective. The College will annually provide the Trustee with a Certificate of Insurance Compliance on or before October 1 of each year.

Damage or Destruction

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

The Bonds may be redeemed in whole if (i) all or part of the Project Facilities are damaged or destroyed to such extent that they cannot be reasonably restored within six (6) months or (ii) normal use and operation of such Project Facilities are interrupted for a six (6) month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement. The Bonds may be redeemed in part if (A) all or a portion of the Project Facilities have been damaged or destroyed, (B) the College determines that the Project Facilities or portion thereof, as the case may be, is not needed in its operations and (C) the College has elected not to restore such Project Facilities or portion thereof, as the case may be. (Also see "THE BONDS – Prior Redemption – Extraordinary Optional Redemption.")

If prior to full payment of the Bonds any portion of the Institution Facilities is destroyed or damaged by fire, flood, windstorm or other casualty there will be no abatement or reduction in the Loan Repayments, but the College may redeem and prepay the Bonds in whole (but not in part) if in the sole judgment of the College, it is not practical to rebuild, repair and restore the Institution Facilities so damaged or destroyed and to continue to operate the Institution in the general manner theretofore operated, the College has determined to not rebuild, repair or restore the Institution Facilities so damaged or destroyed and to not continue to operate the Institution in the general manner theretofore operated, and the College elects that all (but not less than all) Bonds then Outstanding be redeemed.

Condemnation

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

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

If prior to full payment of the Bonds all or substantially all of the Institution Facilities are taken in any proceeding involving the exercise of the right of eminent domain, the College may redeem and prepay the Bonds in whole (but not in part), as more fully provided in the Loan Agreement.

Removal of Project Equipment and Building Equipment

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

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

(b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the College, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of the equipment so released was less than $100,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer or an Authorized Institution Representative upon such showing by the College as may be satisfactory to the Trustee; and

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

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or in connection with (c) above, the depreciated value of Building Equipment to be substituted, removed or released equals or exceeds $100,000 the College will deliver to the Trustee a Certificate signed by the Authorized Institution Representative stating that the substitution, removal or release of such equipment will not materially impair the character or revenue producing significance or value of the Project Facilities.

Indemnification

The College agrees to hold the Authority and the Trustee, their respective members, directors, officers and employees, harmless against, any claim, cause of action, suit or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities and the use thereof, including that caused by any negligence of the Authority (but not of the Trustee) or anyone acting on behalf of the Authority; provided that the indemnity will be effective only to the extent of any loss that may be sustained by the Authority or the Trustee in excess of the Net Proceeds received by the Authority or the Trustee 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.

College to Maintain Its Existence and Accreditation

The College agrees that, so long as the Bonds are Outstanding, it will maintain its existence as a nonprofit corporation and maintain the Institution's existence as a nonprofit institution of higher education under the laws of the State, accredited as such by recognized accrediting agencies; that it will not dissolve or otherwise dispose of all or substantially all of its assets; 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, except under the following conditions: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation or institution must assume in writing all of the obligations of the College in the Loan Agreement and be either a state university or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of the State, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the College furnishes to the Trustee an opinion of bond counsel that such consolidation, merger or transfer has no effect upon the tax-exempt nature of the interest on the Bonds under the Code and regulations thereunder.

Federal Income Tax Status

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

Institution to Be Nonsectarian

The College agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient for purposes of federal income taxation under the provisions of the Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds will bear additional interest at the rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds will be subject to optional redemption, as a whole or in part, on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability. If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto will be limited to the increased interest rate, as more fully set forth in the Loan Agreement.

Other Covenants

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate as prohibited by Minnesota Statutes, Section 363A.13; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Office of Higher Education, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

Following are Events of Default under the Loan Agreement:

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

(b) If the College fails to comply with the provisions of the Loan Agreement relating to arbitrage calculation and rebate requirements; or

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

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

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

(f) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the College or of the whole or any substantial part of the property of the College, and such custody or control is not terminated within ninety (90) days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State 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 College. The provisions of paragraph (c) above, are subject to the further limitation that if the default can be remedied but not within a period of thirty (30) days after notice and if the College has taken all action reasonably possible to remedy such default within such thirty (30) day period, the default will not become an Event of Default for so long as the College diligently proceeds to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College from carrying out its agreements.

Remedies on Default

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

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

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

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

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

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 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 Appendix IV – "DEFINITION OF CERTAIN TERMS."

Granting Clauses

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

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

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture; provided, however, the funds deposited in the Series Six-P Refunding Account are to be held for the exclusive benefit of the holders of the Series Six-P Bonds and the funds deposited in the Series Seven-I Refunding Account are to be held for the exclusive benefit of the holders of the Series Seven-I Bonds; (ii) the moneys and investments in the Construction Account not paid out for Project Costs; and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

Accounts

Bond proceeds, revenues, and other funds derived under the Loan Agreement or Indenture will be deposited into Accounts held by the Trustee as described in "ACCOUNTS," contained in the body of this Official Statement. The Accounts established under the Indenture are the Construction Account, the Bond and Interest Sinking Account, the Redemption Account, the Series Six-P Refunding Account, the Series Seven-I Refunding Account, and the Costs of Issuance Account.

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Redemption Account, and the Costs of Issuance Account will be invested by the Trustee as directed by the Authorized Institution Representative only in investments as authorized by law from time to time, subject to the additional restrictions generally described as follows: (i) direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; (ii) general obligations of states or local governments with taxing powers rated "A" or better by a national bond rating service, or revenue obligations of any state or local government rated "AA" or better by a national bond rating service; (iii) certain commercial paper maturing in two hundred seventy (270) days or less; (iv) time deposits fully insured by the Federal Deposit Insurance Corporation or bankers acceptance of United States banks; (v) certain types of repurchase agreements; (vi) units of certain short-term investment funds and shares of certain money market funds and certain other investment companies; and (vii) certain guaranteed investment contracts issued by a bank or insurance company rated at least in one of the two highest rating categories of a nationally recognized rating agency.

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

(c) If the Authority defaults in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default continues for a period of sixty (60) days after written notice, specifying such default and requiring the same to be remedied, has been given to the Authority and to the College (giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and is required to give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then Outstanding; or

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

Remedies

If an Event of Default exists, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of Bonds Outstanding must, 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 will 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 has been made is 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) has been paid, or the amount thereof is paid to the Trustee for the benefit of those entitled thereto.

In the case of the breach of any of the covenants or conditions of the Loan Agreement or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture), is obligated to take such action or actions as are necessary for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement.

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee will not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers under the Indenture unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum combined capital, surplus and undivided profits of $10,000,000 in event of merger, resignation or removal by Holders of a majority in principal amount of Outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

No Bondholder has any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default has become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds Outstanding have made written request to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders 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 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, may 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 may not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee have been paid or 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 will 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, will extend to or affect any subsequent default or Event of Default or impair any rights or remedies consequent thereon.

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

Defeasance

If the Authority and the College:

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

(b) provide for the payment of principal and premium, if any, of the Outstanding Bonds and interest thereon by depositing with the Trustee at or at any time before maturity an amount of (1) government obligations described in the Indenture in such aggregate face amount, bearing interest at such rates and maturing at such dates as are sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (2) cash, to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds Outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee 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 as provided in the Indenture, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all of such Outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in the Indenture, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, of (i) government obligations described in the Indenture in such aggregate face amount, bearing interest at such rates and maturing at such dates as are be sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) in cash, to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any Interest Payment Dates, or

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

and also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Code and the Arbitrage Regulations, then, at the request of the Authority or the College all the Trust Estate will revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of the Owners of the Bonds in respect thereof, will thereupon cease, determine and become void; unless otherwise expressly stated herein, rights granted by provisions relating to optional redemption of Bonds will thereupon terminate; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or government obligations have not been deposited in accordance with the provisions of the Indenture, will, upon receipt of a written request of the Authority and of a Certificate of the Authority and an Opinion of Counsel as to compliance with conditions precedent (and, in the case of defeasance under paragraph (b) above, as to effect on tax-exempt status), and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of this Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which are then held thereunder.

When the Authority or the College 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 such government obligations sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds will 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 will be deemed not to be Outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption will cease to accrue.

Supplemental Indentures

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

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

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

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

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

(e) To modify the Indenture as authorized by the Bondholders.

In addition and subject to the provisions set forth below, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds under the Indenture then Outstanding have the right to consent to and approve such supplemental indentures as are 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 may not be construed as permitting without the consent of the Holders of all Bonds Outstanding (1) an extension of the maturity of any Bond; or (2) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon; or (3) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture; or (4) a preference or priority of any Bond over any other; or (5) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to or execute any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds at the time Outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan

Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then Outstanding.

Registration

The Bonds will be fully registered as to principal and interest at the designated corporate trust office of the Trustee, which will 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 will be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest will be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer to an account within the United States) to the registered Owner at the address as shown on the registration books of the Trustee, subject to applicable procedures while in Book-Entry Form.

In connection with any proposed transfer outside the Book-Entry system, the College or DTC will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The Trustee may rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC") is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or the Trustee as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, interest, and redemption premium, if any, on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Authority, or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. The Authority, the College and the Underwriter take no responsibility for the accuracy thereof.

MACALESTER COLLEGE
ANNUAL FINANCIAL STATEMENTS
WITH AUDITORS' OPINION
FOR THE FISCAL YEAR ENDED MAY 31, 2017

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Macalester College
St. Paul, Minnesota

We have audited the accompanying financial statements of Macalester College, which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A member of Nexia International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Macalester College as of May 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 5, 2017

MACALESTER COLLEGE
Statements of Financial Position
May 31, 2017 and 2016
(in thousands of dollars)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 22,215	$ 20,236
Restricted cash and cash equivalents	742	5,671
Accrued investment income	547	518
Prepaid expenses and other assets	351	435
Notes and accounts receivable, net of allowance for doubtful receivables of $871 (and $953 in 2016)	8,791	8,542
Contributions receivable, net	2,429	1,536
Short term investments	30,313	25,507
Long term investments	733,420	686,440
Real estate	15,473	15,567
Land, buildings and equipment, net of accumulated depreciation	197,558	200,379
Beneficial interest in perpetual trust	31,383	29,810
Total assets	$ 1,043,222	$ 994,641
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 14,422	$ 12,774
Deferred revenue	1,093	1,211
Deposits	252	386
Interest rate swap agreement	966	1,526
Liabilities under planned giving agreements	8,707	7,696
Government grants refundable	4,550	4,424
Bonds and mortgages payable	79,720	86,999
Total liabilities	109,710	115,016
Net assets:		
Unrestricted		
Operations	21,467	21,898
Investments	61,499	55,589
Plant	121,018	118,713
Total unrestricted	203,984	196,200
Temporarily restricted		
Operations	10,091	8,075
Investments	354,725	313,746
Plant	500	271
Total temporarily restricted	365,316	322,092
Permanently restricted - Investments	364,212	361,333
Total net assets	933,512	879,625
Total liabilities and net assets	$ 1,043,222	$ 994,641

See accompanying notes to financial statements.

MACALESTER COLLEGE
Statements of Activities
Years Ended May 31, 2017 and 2016
(in thousands of dollars)

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities:								
Revenues and other additions:								
Tuition and fees	$ 105,206	-	-	105,206	$ 102,722	-	-	102,722
Less: Student aid and scholarships	(53,592)	-	-	(53,592)	(52,097)	-	-	(52,097)
Net tuition and fees	51,614	-	-	51,614	50,625	-	-	50,625
Federal grants and contracts	1,686	-	-	1,686	1,562	-	-	1,562
State grants and contracts	299	-	-	299	257	-	-	257
Private gifts and grants	4,540	5,837	-	10,377	4,029	2,457	-	6,486
Sales and service of auxiliary enterprises	16,020	-	-	16,020	15,995	-	-	15,995
Other sources	1,019	75	-	1,094	1,127	51	-	1,178
Investment income	292	10	-	302	223	12	-	235
Endowment payout	3,807	32,280	-	36,087	3,641	31,118	-	34,759
Realized and unrealized losses on investments	(76)	-	-	(76)	(111)	-	-	(111)
Gain (loss) on disposal of fixed assets	25	-	-	25	(8)	-	-	(8)
Net assets released from restrictions	36,187	(36,187)	-	-	35,512	(35,512)	-	-
Total operating revenues and other additions	115,413	2,015	-	117,428	112,852	(1,874)	-	110,978
Expenses:								
Program								
Instruction	42,922	-	-	42,922	42,584	-	-	42,584
Research	2,191	-	-	2,191	1,996	-	-	1,996
Public service	148	-	-	148	168	-	-	168
Academic support	12,642	-	-	12,642	12,410	-	-	12,410
Student services	23,062	-	-	23,062	22,499	-	-	22,499
Auxiliary enterprises	11,590	-	-	11,590	11,524	-	-	11,524
Institutional support	21,534	-	-	21,534	20,422	-	-	20,422
Total expenses	114,089	-	-	114,089	111,603	-	-	111,603
Change in net assets from operating activities	1,324	2,015	-	3,339	1,249	(1,874)	-	(625)
Non-operating Activities:								
Investment-related:								
Realized and unrealized gains (losses) on investments	$ 9,393	71,261	763	81,417	$ (579)	(38,489)	1,145	(37,923)
Investment income	175	-	-	175	437	-	-	437
Endowment payout for operations	(3,807)	(32,280)	-	(36,087)	(3,641)	(31,118)	-	(34,759)
Change in beneficial interest in perpetual trust	-	-	1,572	1,572	-	-	(2,172)	(2,172)
Change in value of planned giving agreements	39	(40)	317	316	(30)	(223)	(320)	(573)
Gift-related:								
Private gifts and grants restricted for long-term investment	-	2,072	227	2,299	42	1,565	138	1,745
Private gifts and grants restricted for capital projects	-	297	-	297	220	30	-	250
Other:								
Change in value of interest rate swap	559	-	-	559	(1,075)	-	-	(1,075)
Net assets released from restrictions	101	(101)	-	-	48	(48)	-	-
Change in net assets from non-operating activities	6,460	41,209	2,879	50,548	(4,578)	(68,283)	(1,209)	(74,070)
Change in net assets	7,784	43,224	2,879	53,887	(3,329)	(70,157)	(1,209)	(74,695)
Net assets beginning of year	196,200	322,092	361,333	879,625	199,529	392,249	362,542	954,320
Net assets end of year	$ 203,984	365,316	364,212	933,512	$ 196,200	322,092	361,333	879,625

See accompanying notes to financial statements.

MACALESTER COLLEGE
Statements of Cash Flows
Years Ended May 31, 2017 and 2016
(in thousands of dollars)

	2017	2016
Cash flows from operating activities:		
Change in total net assets	$ 53,887	$ (74,695)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,104	8,727
Realized and unrealized (gain) loss on investments	(68,392)	51,202
(Gain) loss on disposal of fixed assets	(25)	8
Unrealized (gain) loss on interest rate swap	(560)	1,075
Private gifts and other income restricted for long term investments	(2,596)	(1,733)
Noncash contributions of marketable securities	(232)	(149)
Adjustment of actuarial liabilities for planned giving agreements	1,834	159
Change in value of beneficial interest in perpetual trust	(1,573)	2,172
Endowment payout	32,350	31,400
Change in assets and liabilities:		
Accrued investment income	(29)	(70)
Prepaid expenses	84	(124)
Notes and accounts receivable	(249)	59
Contributions receivable	(1,131)	307
Accounts payable and accrued expenses	1,443	(131)
Deferred revenue	(118)	102
Deposits	(134)	92
Net cash provided by operating activities	23,663	18,401
Cash flows from investing activities:		
Proceeds from sale of investments	169,760	301,159
Proceeds from sale of investments used for endowment payout	(32,350)	(31,400)
Purchase of investments	(152,578)	(279,251)
Purchase of land, building and equipment	(6,252)	(3,800)
Gain (loss) on disposal of equipment	25	(8)
Net cash used by investing activities	(21,395)	(13,300)
Cash flows from financing activities:		
Proceeds from issuance of bonds payable	-	22,660
Withdrawals from (deposits to) construction account, net	4,929	(4,993)
Deposits to debt escrow, net	-	(678)
Bond premium from issuance of bonds payable	-	2,217
Principal payments on bonds payable	(7,105)	(21,091)
Payments made to beneficiaries of planned giving agreements	(823)	(837)
Change in government grant refundable	126	(91)
Noncash contributions of marketable securities	(250)	(446)
Private gifts, grants and other income restricted for long term investment	2,834	2,689
Net cash used by financing activities	(289)	(570)
Increase in cash and cash equivalents	1,979	4,531
Cash and cash equivalents at beginning of the year	20,236	16,105
Cash and cash equivalents at end of the year	$ 22,215	$ 20,636
Supplemental disclosure - cash paid for interest, including interest capitalized of $0 and $144, respectively	$ 3,628	$ 3,924
Noncash investing and financing activities:		
Purchases of land, building and equipment funded by accounts payable	$ 444	$ 239

See accompanying notes to financial statements.

1) Background and Organization

Macalester College ("the College" or "Macalester") is a four year, coeducational, residential, private liberal arts college. Founded in 1874, the College is located in the urban setting of Saint Paul, Minnesota and is accredited by the North Central Association of Colleges and Secondary Schools.

2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. To ensure the observance of limitations and restrictions placed on the use of available resources, the College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes into funds that are maintained in accordance with activities or objectives of the College. For external reporting purposes, however, the College's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets -- Net assets subject to donor imposed stipulations that they be maintained permanently by the College. Generally, the donor of these assets permits the College to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily restricted net assets -- Net assets subject to donor-imposed stipulations that restrict their use to a specific purpose and/or the passage of time.

Unrestricted net assets -- Net assets not subject to donor imposed stipulations. Certain of these amounts have been designated by the board for investment purposes as indicated in the presentation.

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

Contributions, including unconditional promises to give, are recognized as revenue in the period received and reported in their appropriate net asset group, subject to the existence or absence of donor imposed stipulations. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a discount rate consistent with the general principles for present value measurement. Amortization of discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions.

Operating results in the statements of activities reflect all transactions increasing and decreasing net assets except those that the College defines as non-operating. Non-operating activity includes contributions added to endowments, contributions supporting major capital purchases, contributions and other activity related to annuity and other trust agreements, changes in the value of the interest rate swap, and endowment income and gains and losses, net of amounts distributed to support the operations in accordance with the Board-approved spending policy.

Cash and Cash Equivalents

Cash and cash equivalents include interest bearing money market accounts and short term investments with an original maturity of less than three months. The balances are insured by the Federal Deposit Insurance Corporation up to certain limits. At times, cash in the bank may exceed FDIC insurable limits.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are restricted for construction and debt escrow. They include interest bearing money market accounts that short term investments with an original maturity of less than three months. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in the bank may exceed FDIC insurable limits.

Notes and Accounts Receivable

Notes and accounts receivable include grants receivable, student loan receivables, student accounts receivable and various other receivables. An allowance for doubtful accounts is recorded annually based on historical experience and management’s evaluation of receivables at the end of each year. Bad debts are written off when deemed uncollectible. Receivables are generally unsecured.

Short Term Investments

Short term investments consist of investments held in short-term funds with original maturities exceeding three months that may be used for the daily operations of the College.

Long Term Investments

Long term investments include the endowment pool, investments related to split interest agreements, loan fund investments, and intermediate term funds.

Real Estate

Purchased real estate investments are initially recorded at cost in the year they are acquired. In subsequent years, the properties are valued based on an appraisal and/or a market analysis. Real estate investments that have been received as contributions are valued at their estimated fair value at the date the properties were donated, as determined by professional appraisals.

Land, Buildings, and Equipment

Equipment with a cost of $10,000 or greater and buildings with a cost of $100,000 or greater are capitalized by the College. Constructed and purchased property and equipment are carried at cost. Land, buildings, and equipment donated to the College are stated at fair value at date of donation. Long-lived assets, with the exception of land and artwork, are depreciated using the straight-line method over their estimated useful lives. Useful lives for equipment range from 3 to 6 years. Useful lives for the majority of the buildings and improvements range from 20 to 40 years.

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

Bond Issue Costs

Bond issue costs are amortized using the straight-line method over the life of the associated bond issue. Bond issue costs are reported as a reduction of bonds and mortgages payable on the statements of financial position.

Revenue Recognition

Net tuition and fees and auxiliary revenues are recognized as revenue in the period in which the services are rendered.

Tax Status

The College has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. No provision has been made for income taxes in the accompanying financial statements as the College has had no significant unrelated business income.

The College's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. The College has no uncertain tax positions resulting in an accrual of tax expense or benefit.

Derivative Financial Instruments

The College measures derivative instruments (including derivative instruments embedded in other contracts) at fair value, and reports them as assets or liabilities in the statements of financial position. Changes in the fair value of derivatives during the year are reported in the statements of activities. Macalester's interest rate swap agreement is considered a derivative financial instrument and has been reported in the statements of financial position at fair value. The change in the fair value of the agreement during the year is reported in the statements of activities. The net cash received or paid under the terms of the interest rate swap agreement over its term is reported as a component of interest expense.

Planned Giving Agreements

The College's planned giving agreements consist primarily of charitable gift annuities, charitable remainder unitrust contracts and pooled life income funds. For those trusts for which the College is the trustee, the assets are reported as long term investments at their fair value. Contribution revenue is recognized at the dates the trusts are established after recording a liability for the present value of the estimated future payments to be made to the beneficiaries using discount rates and assumptions established upon initial recognition of the liability and the use of the appropriate mortality tables. Discount rates range from 1.3% to 7.0%. The obligation is adjusted during the term of the agreement for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

For those irrevocable trusts for which the College does not serve as trustee, contribution revenue and a receivable are recognized at the date the trust is established for the present value of the estimated future payments to be received.

The College is also the beneficiary of a perpetual trust held and administered by others. The estimated fair value of the trust was recognized as an asset and as revenue on the date the College was notified of the establishment of the trust. Distributions from the trust are recorded as investment income.

Use of Estimates

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

Related Party

Pledges from certain Board of Trustees members and Officers are included in the financial statements. The pledges outstanding totaled $1,719 and $212 at May 31, 2017 and 2016, respectively. The College has a conflict of interest policy in place that is reviewed by each Board member and Officer annually

(in thousands of dollars)

Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 presentation. There were no changes to net assets or changes in net assets as previously reported.

3) Student Loans Receivable

The College issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At May 31, 2017 and 2016, student loans represented less than 1% of total assets.

Student loans receivable consist of the following:

	2017	2016
Federal government programs	$ 4,208	$ 4,537
Institutional programs	4,358	3,649
Student loans receivable, gross	8,566	8,186
Less: allowance for doubtful accounts:		
Beginning of year	(930)	(930)
Decreases (increases)	80	-
Write-offs	-	-
End of year	(850)	(930)
Student loans receivable, net	$ 7,716	$ 7,256

Student loans receivable are included in notes and accounts receivable on the statement of financial position. Also included in notes and accounts receivable are other receivables of the College, including receivables for students' accounts, rent, federal student aid, and grants. These other receivables total $1,075 and $1,286 as of May 31, 2017 and 2016, respectively. Allowances related to these other receivables total $21 and $23 as of May 31, 2017 and 2016, respectively.

Funds advanced by the federal government of $4,550 and $4,424 at May 31, 2017 and 2016, respectively, are ultimately refundable to the government, and are classified as liabilities on the statements of financial position.

At May 31, 2017 and 2016, the following amounts were past due under student loan programs:

	2017	2016
1 - 240 days past due	$ 299	$ 278
240 days - 2 years past due	318	194
2 years - 5 years past due	317	182
Over 5 years past due	512	461
Total past due	$ 1,446	$ 1,115

(in thousands of dollars)

4) Investments

Short term investments:

	2017	2016
Fixed income – Treasuries – fair value	$ 30,204	$ 25,507
Bitcoin	109	-
Total short term investments	$ 30,313	$ 25,507

Long term investments:
Long term investments include funds traditionally considered the endowment of the College, as well as assets of funds for planned giving agreements totaling $15,970 and $14,205 as of May 31, 2017 and 2016, respectively. The allocations shown at fair value are as follows:

	2017	2016
Cash and cash equivalents	$ 1,946	$ 2,185
Publicly traded securities:		
Domestic equities	53,418	54,050
Domestic equities held in collective trusts	15,000	-
Foreign equities held in collective trusts	116,311	96,400
Fixed income – TIPS and Treasuries	92,721	88,554
Futures	4,282	5,236
Mutual funds	103,215	87,275
Liquid alternative investments	43,809	52,702
Alternative strategies in illiquid structures:		
Domestic equities	109,338	92,173
Private equities	85,790	82,273
Hedge funds	51,810	61,385
Real estate	12,392	17,977
Natural resources	43,388	46,230
Total fair value	$ 733,420	$ 686,440
Total cost	$ 599,789	$ 599,008

5) Fair Value Measurements

The College applies the provisions of ASC No. 820, which established a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

(in thousands of dollars)

Level 2 — Pricing inputs other than identical quoted prices in active markets that are observable for the financial instrument, such as similar instruments, interest rates, and yield curves that are observable at commonly quoted intervals.

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Level 3 inputs include situations where there is little, if any, market activity for the financial instrument.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following tables summarize the College's fair value hierarchy for those assets and liabilities that were measured at fair value on a recurring basis as of May 31, 2017 and 2016:

	2017				
	Level 1	Level 2	Level 3	No Level	Total
Financial Assets:					
Short term investments:					
Fixed income - Treasuries	$ 30,204	$ -	$ -	$ -	$ 30,204
Bitcoin	109	-	-	-	109
Total short term investments	$ 30,313	$ -	$ -	$ -	$ 30,313
Long term investments:					
Cash and short term investments	$ 1,946	$ -	$ -	$ -	$ 1,946
Publicly traded securities:					
Domestic equities	53,418	-	-	-	53,418
Domestic equities held in collective trusts measured at net asset value	-	-	-	15,000	15,000
Foreign equities held in collective trusts measured at net asset value	-	-	-	116,311	116,311
Fixed income – TIPS and Treasuries	92,653	68	-	-	92,721
Futures	4,282	-	-	-	4,282
Mutual funds	103,215	-	-		103,215
Liquid alternative investments	-	43,809	-	-	43,809
Alternative strategies in illiquid structures measured at net asset value:					
Domestic equities	-	-	-	109,338	109,338
Private equities	-	-	-	85,790	85,790
Hedge funds	-	-	-	51,810	51,810
Real estate	-	-	-	12,392	12,392
Natural resources	-	-	-	43,388	43,388
Total long term investments	$ 255,514	$ 43,877	$ -	$ 434,029	$ 733,420

(in thousands of dollars)

High Winds real estate	$ -	$ -	$ 15,473	$ -	$ 15,473
Beneficial interest in perpetual trust	$ -	$ -	$ 31,383	$ -	$ 31,383
Financial Liabilities:					
Interest rate swap agreement	$ -	$ 966	$ -	$ -	$ 966

	2016				
	Level 1	Level 2	Level 3	No Level	Total
Financial Assets:					
Short term investments:					
Fixed income - Treasuries	$ 25,507	$ -	$ -	$ -	$ 25,507
Long term investments:					
Cash and short term investments	$ 2,185	$ -	$ -	$ -	$ 2,185
Publicly traded securities:					
Domestic equities	54,050	-	-	-	54,050
Foreign equities held in collective trusts measured at net asset value	-	-	-	96,400	96,400
Fixed income – TIPS and Treasuries	88,483	71	-	-	88,554
Futures	5,236	-	-	-	5,236
Mutual funds	87,275	-	-	-	87,275
Liquid alternative investments	-	52,702	-	-	52,702
Alternative strategies in illiquid structures measured at net asset value:					
Domestic equities	-	-	-	92,173	92,173
Private equities	-	-	-	82,273	82,273
Hedge funds	-	-	-	61,385	61,385
Real estate	-	-	-	17,977	17,977
Natural resources	-	-	-	46,230	46,230
Total long term investments	$ 237,229	$ 52,773	$ -	$ 396,438	$ 686,440
High Winds real estate	$ -	$ -	$ 15,567	$ -	$ 15,567
Beneficial interest in perpetual trust	$ -	$ -	$ 29,810	$ -	$ 29,810
Financial Liabilities:					
Interest rate swap agreement	$ -	$ 1,526	$ -	$ -	$ 1,526

(in thousands of dollars)

The following tables are roll-forwards of the Level 3 financial assets during the fiscal years ended May 31, 2017 and 2016:

	Beneficial Interest in Perpetual Trust – 2017
Beginning balance	$ 29,810
Gains (losses):	
Unrealized gain, net	2,418
Realized gain, net	165
Purchases, issuances, sales and settlements:	
Purchases	1,627
Sales	(2,637)
Ending balance at May 31, 2017	$ 31,383

	High Winds Real Estate – 2017*
Beginning balance	$ 15,567
Property value adjustment	(94)
Ending balance at May 31, 2017	$ 15,473

* Real estate values are based on independent appraisals.

	Beneficial Interest in Perpetual Trust – 2016
Beginning balance	$ 31,982
Gains (losses):	
Unrealized gain, net	(1,880)
Realized gain, net	761
Purchases, issuances, sales and settlements:	
Purchases	667
Sales	(1,720)
Ending balance at May 31, 2016	$ 29,810

	High Winds Real Estate – 2016*
Beginning balance	$ 15,639
Purchase of property	(552)
Increase in property market value	480
Ending balance at May 31, 2016	$ 15,567

* Real estate values are based on independent appraisals.

At May 31, 2017, the College had $302,718 of long term investments, $15,000 of domestic equities held in collective trusts and $116,311 of foreign equity held in collective trusts. These investments are reported at fair value. The College has concluded that the net asset value (NAV) reported by the underlying fund approximates the fair value of the investments and serves as the practical expedient for fair value.

(in thousands of dollars)

Due to the nature of the investments held by the funds, changes in market conditions and economic environment may significantly impact the net asset value of the funds, and consequently, the fair value of the College's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the College was to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant. The College has no plans to sell any of these assets on the secondary market.

At May 31, 2017 and 2016, the College's alternative investments had strategies and redemption terms as summarized in the tables below:

2017				
Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency*	Notice Period (in Days)*
Foreign equities held in collective trusts (a)	$ 116,311	None	Monthly	30 days
Domestic equities held in collective trusts (e)	15,000	None	Monthly	30 days
Domestic equities - alternative structures (b)	109,338	None	Quarterly	60 days
Hedge funds (c)	51,810	None	Monthly - Annual	30 - 90 days
Private investments (d)	141,570	$ 91,719	Not applicable	Not applicable
Totals	$ 434,029	$ 91,719		

2016				
Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency*	Notice Period (in Days)*
Foreign equities held in collective trusts (a)	$ 96,400	None	Monthly	30 days
Domestic equities - alternative structures (b)	92,173	None	Quarterly	60 days
Hedge funds (c)	61,385	None	Monthly - Annual	30 - 90 days
Private investments (d)	146,480	$ 61,893	Not applicable	Not applicable
Totals	$ 396,438	$ 61,893		

* The information summarized in the tables above represents the general terms for the specified asset class. Individual investment funds may have terms that are more or less restrictive than those terms indicated for the asset class as a whole. In addition, most investment funds have the flexibility, as provided for in their constituent documents, to modify and waive such terms.

Foreign equities held in collective trusts (a) are actively managed investment funds focused on the equity markets of non-US developed market countries. These funds have the ability to invest a portion of the funds in equities of emerging market countries. The unobservable inputs used to determine the fair values of these investments have been estimated using NAV.

Domestic equities - alternative structures (b) are actively managed and designed to give the College exposure to the movements of the US equity market. The unobservable inputs used to determine the fair values of these investments have been estimated using NAV.

Hedge funds (c) consist of funds in which the College has invested to potentially benefit from the skill of fund managers or to access unconventional assets. Typically, the underlying investments in these funds are publicly traded.

Private investments (d) include a variety of investment strategies, including buyout, distressed debt, energy, real estate, timber, and venture capital. These investments are of a long term nature and generally serve to drive the returns of the portfolio or to hedge inflation. The College receives proceeds from these funds as the holdings of the funds produce income or are sold. The College invests in funds with a life of 5 to 15 years, and does not have redemption rights.

Domestic equities held in collective trusts (e) are actively managed investment funds focused on US equity markets. The unobservable inputs used to determine the fair values of these investments have been estimated using NAV.

Securities denominated in foreign currencies are translated into US dollars at the closing rate of exchange. Foreign currency amounts related to the purchase or sale of securities and income and expenses are translated at the exchange rate on the transaction date. For financial reporting purposes, the realized and unrealized gain (loss) on investments reflects changes in exchange rates, as well as changes in the market value of investments.

The College hedges the foreign currency risks of the public developed markets international equity portfolio by entering into foreign currency exchange contracts. These derivatives are marked to market daily and exchange traded. In the statements of activities, net realized and unrealized gains or losses on investments include gains or losses from the use of derivatives for hedging and rebalancing activities.

As of May 31, 2017, the College had exposure to $123,575 of short positions in currency futures. As of May 31, 2016, the College had exposure to $103,586 of short positions in currency futures. The College’s derivative portfolio consists of contracts with maturities of 90 days or less and is adjusted as the exposures of the underlying portfolio change. The contracts are sold prior to contract maturity.

(in thousands of dollars)

6) Funds Held in Trust by Others

The College's beneficial interest in the fair value of assets in a perpetual trust was $31,383 and $29,810 as of May 31, 2017 and 2016, respectively. For the years ended May 31, 2017 and 2016, the College received $1,451 and $1,517 from this trust, respectively.

The College is the income beneficiary of a revocable trust with an estimated value of $9,872 and $9,381 as of May 31, 2017 and 2016, respectively, which is controlled by independent trustees. For the years ended May 31, 2017 and 2016, the College received $425 and $412 from this trust, respectively. These assets are not recorded on the financial statements of the College.

7) Contributions Receivable

Contributions receivable consists of the following:

	2017	2016
Unconditional promises expected to be collected in:		
Less than one year	$ 1,123	$ 1,026
One year to five years	1,334	525
More than five years	30	-
Less: Discount to present value (2.0% - 5.0%)	(58)	(15)
	$ 2,429	$ 1,536

8) Land, Buildings, and Equipment

The following is a summary of the College's land, buildings, and equipment:

	2017	2016
Land and land improvements	$ 2,157	$ 2,157
Buildings and building improvements	301,708	296,803
Equipment	15,125	14,969
Construction in progress	1,400	804
	320,390	314,733
Less: Accumulated depreciation	(122,832)	(114,354)
	$ 197,558	$ 200,379

(in thousands of dollars)

9) Bonds and Mortgages Payable

Bonds and mortgages payable consist of the following:

	2017	2016
Minnesota Higher Education Facilities Authority (MHEFA) variable rate demand revenue bonds of 1994, weekly maturity and rate reset, 0.70% average for current fiscal year, total principal due 2024 (original amount $6,660)	$ 6,660	$ 6,660
Minnesota Higher Education Facilities Authority variable rate demand revenue bonds of 2003, weekly rate reset as well as a weekly tender option, 0.70% average for current fiscal year, total principal due 2033 (original amount $15,300)	15,300	15,300
Minnesota Higher Education Facilities Authority revenue bonds of 2007, 4.34% average, final series due 2022 (original amount $39,490)	5,905	7,910
Minnesota Higher Education Facilities Authority revenue bonds of 2010, 4.60% average, final series due 2035 (original amount $16,000)	13,865	14,360
Minnesota Higher Education Facilities Authority revenue bonds of 2012, 3.28% average, final series due 2043 (original amount $14,730)	14,190	14,460
Minnesota Higher Education Facilities Authority revenue bonds of 2015, 1.60% average, final series due 2017 (original amount $3,995)	-	3,995
Minnesota Higher Education Facilities Authority revenue bonds of 2015, 2.88% average, final series due 2032 (original amount $22,660)	21,985	22,415
	77,905	85,100
Plus: Unamortized bond premium	2,599	2,773
Less: Unamortized bond issuance costs	(784)	(874)
	$ 79,720	$ 86,999

In September of 1994, $6,660 of variable rate demand revenue bonds were issued on behalf of the College by MHEFA. The bonds were initially issued with a weekly maturity and rate reset, but longer maturities are optional as well as a fixed rate. Proceeds of the issue were used to finance various campus improvements and an athletic field expansion. Loan repayments associated with the bonds are general obligations of the College, with interest payable monthly (semi-annual if converted to fixed), and principal payable at maturity, on March 1, 2024.

In February of 2003, $15,300 of variable rate demand revenue bonds were issued on behalf of the College by MHEFA. The bonds were issued with a weekly rate reset, as well as a weekly tender option. In the event of a tender and unsuccessful remarketing, self liquidity is provided through treasury securities held as long term investments. Proceeds of the issue were used to finance various dormitory improvements. Loan repayments associated with the bonds are general obligations of the College, with interest payable monthly and principal payable at maturity, on March 1, 2033.

In March of 2007, $39,490 of revenue bonds were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 4.34%. A portion of the proceeds were used, together with other funds of the College, for construction of a new athletics and recreation center. The remaining portion was used to repay the 1998 bond issue.

In December of 2010, $16,000 of revenue bonds were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 4.60%. Proceeds of this issue were used to partially fund the renovation of the Janet Wallace Fine Arts building.

In November of 2012, $14,730 of revenue bonds were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 3.28%. Proceeds of this issue were used to partially fund the renovation of the Studio Art portion of the Janet Wallace Fine Arts building and replace boilers in the sub-basement of the building.

In February of 2015, $3,995 of revenue bonds were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 1.60%. Proceeds of this issue were used to repay the 2004 issue.

In October of 2015, $22,660 of revenue bonds were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 2.88%. $18,555 of the proceeds of this issue were used to partially repay the 2007 issue, while the remaining $4,105 was used for various campus projects.

In direct connection with the variable rate demand revenue bonds issued in 2003, the College entered into an interest rate swap agreement that obligates it to pay a fixed rate of 3.33% annually to the counterparty in exchange for the receipt of a floating payment equal to 67% of the three-month London Interbank offered rate (LIBOR). The net difference between the amounts paid to and received from the counterparty is recorded as interest expense. Payments under the swap contract are based on a notional amount of $15,000. The contract expired on May 31, 2016.

On July 1, 2015, in direct connection with the variable rate demand revenue bonds issued in 2003, the College entered into an interest rate swap agreement that obligates it to pay a fixed rate of 2.07% annually to the counterparty in exchange for the receipt of a floating payment equal to 67% of LIBOR. The contract expires March 1, 2030. The net difference between the amounts paid to and received from the counterparty is recorded as interest expense. Payments under the swap contract are based on a notional amount of $15,300. As of May 31, 2017 and 2016, the estimated fair value of the swap contract was $(967) and $(1,526), respectively.

(in thousands of dollars)

In the statements of activities, net gains or losses from the interest rate swap agreements result from fluctuations in the variable interest rate to which the swaps are tied. Included in the statements of activities for the years ended May 31, 2017 and 2016 are interest rate swap gains (losses) of $559 and $(1,075), respectively.

Annual debt commitments (principal) at May 31, 2017, are as follows:

Fiscal Year Ending May 31,	Amount
2018	$ 3,400
2019	3,560
2020	3,655
2021	3,835
2022	4,010
After 2022	59,445
	$ 77,905

Total interest expense on debt aggregated $3,597 and $3,932 during the years ended May 31, 2017 and 2016, respectively.

(in thousands of dollars)

10) Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes at May 31, 2017 and 2016:

	2017	2016
The portion of unexpended investment return generated from donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) consists of:		
Scholarships	$ 50,825	$ 44,446
Prizes and awards	487	421
Library support	3,442	3,056
Program support	254,884	224,439
Faculty support	37,586	34,269
Research	3,704	3,337
	350,928	309,968
Gifts and other unexpended revenues and gains available for:		
Scholarships	317	374
Prizes and awards	147	143
Library support	24	18
Program support	2,328	2,299
Faculty support	1,369	1,437
Research	237	260
Contributions receivable for scholarships, program support and operations	2,002	826
Contributions receivable for plant	192	
Split interest agreements for scholarships, program support and operations	3,689	3,593
Private grants	1,859	2,630
Plant projects	307	274
Other	1,917	270
	$ 365,316	$ 322,092

(in thousands of dollars)

Permanently restricted net assets and the purposes the income is expendable to support are as follows at May 31, 2017 and 2016:

	2017	2016
Endowment funds for:		
Scholarships	$ 33,540	$ 33,703
Prizes and awards	298	298
Library support	3,094	3,093
Program support	243,472	243,353
Faculty support	25,505	25,352
Research	2,057	2,058
	307,966	307,857
Beneficial interest in outside managed trusts restricted for scholarships	31,511	29,324
Contributions receivable for scholarships and program support	-	77
High Winds Fund	17,688	17,004
Loan funds	3,672	3,915
Split interest agreements for scholarships and program support	3,375	3,156
	$ 364,212	$ 361,333

11) Endowment Funds

Overview

The College's endowment consists of 610 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

(in thousands of dollars)

In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: a) the duration and preservation of the funds; b) the purposes of the College and the donor-restricted endowment funds; c) general economic conditions; d) the possible effect of inflation and deflation; e) the expected total return from income and the appreciation of investments; f) other resources of the College, and g) the investment policies of the College.

Endowment Funds Restrictions and Designations

The College's endowment net assets were classified as follows at May 31, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 350,928	$ 307,966	$ 658,894
Board-designated endowment funds	59,968	-	-	59,968
Total funds	$ 59,968	$ 350,928	$ 307,966	$ 718,862

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (192)	$ 309,968	$ 307,857	$ 617,633
Board-designated endowment funds	54,503	-	-	54,503
Total funds	$ 54,311	$ 309,968	$ 307,857	$ 672,136

Temporarily restricted endowment net assets represent gift corpus temporarily restricted by donors but managed by the College as endowment funds.

(in thousands of dollars)

The College's endowment net assets changed as follows for the years ended May 31, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beg. of year	$ 54,311	$ 309,968	$ 307,857	$ 672,136
Investment return:				
Investment income	2,810	9,458	-	12,268
Realized and unrealized gains (losses)	10,186	57,155	466	67,807
Total investment return	12,996	66,613	466	80,075
Fees and other expenses	(606)	(1,013)	(1,030)	(2,649)
Contributions	-	1,870	564	2,434
Other transfers in (out)	1,145	2	109	1,256
Amounts appropriated for expenditure	(7,878)	(26,512)	-	(34,390)
Endowment net assets, end of year	$ 59,968	$ 350,928	$ 307,966	$ 718,862

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beg. of year	$ 60,001	$ 378,169	$ 307,221	$ 745,391
Investment return:				
Investment income	2,229	7,540	-	9,769
Realized and unrealized gains (losses)	(389)	(49,617)	-	(50,006)
Total investment return	1,840	(42,077)	-	(40,237)
Fees and other expenses	(617)	(2,088)	-	(2,705)
Contributions	42	1,379	266	1,687
Other transfers in (out)	574	57	370	1,001
Amounts appropriated for expenditure	(7,529)	(25,472)	-	(33,001)
Endowment net assets, end of year	$ 54,311	$ 309,968	$ 307,857	$ 672,136

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2017. Deficiencies of this nature that are reported in unrestricted net assets totaled $192 as of May 31, 2016. These deficiencies result when unfavorable market fluctuations occur shortly after new permanently restricted contributions are invested, and appropriations for certain programs that were deemed prudent by the Board of Trustees continue. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level are classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed endowment spending plus inflation with real growth as a secondary goal. The College expects its endowment funds, over three to five years, to provide an average annual real rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis in three broad categories - economic growth, real assets, and safety and liquidity - in a 65-20-15 percent ratio to achieve its long term return objectives within prudent risk constraints.

The majority of the assets of the endowment funds have been placed in an investment pool, on a fair value basis, with each individual fund within the pool subscribing to or disposing of units on the basis of the market value per unit at the beginning of the month within which the transaction takes place.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year a percentage of its endowment funds' sixteen-quarter trailing average of investment fair value. This percentage for 2017 and 2016 was 5%. In establishing this policy, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment returns. If yield (interest and dividend income) is not sufficient to support the calculated spending, the balance is allocated from gains on the endowment assets.

(in thousands of dollars)

12) High Winds Fund

Included in the permanently restricted net assets are resources related to the High Winds Fund. The Fund is subject to the provisions of an agreement between the College and a major benefactor. The purpose of the High Winds Fund is to maintain and improve the beauty, serenity, and security of the area surrounding the College campus. As of May 31, 2017, the High Winds Fund owned 14 properties surrounding the College campus. The total value of the assets of the Fund, net of liabilities, as of May 31, 2017 and 2016 was $20,696 and $19,814, respectively. In addition to real estate with a market value of $15,473 and $15,567 as of May 31, 2017 and 2016, respectively, the High Winds fund holds cash, investments, and receivables, net of liabilities, of $5,223 and $4,247 at May 31, 2017 and 2016, respectively.

13) Leases Receivable

The College is the lessor of commercial space under various operating leases. Minimum future rental revenue to be received on non-cancelable agreements as of May 31, 2017 for each of the next five years and in aggregate are:

Fiscal Year Ending May 31,	Amount
2018	$ 944
2019	414
2020	292
2021	85
2022	85
After 2022	137
	$ 1,957

14) Employee Benefits

Retirement Plans

The College provides retirement benefits to substantially all employees. Certain academic and non-academic personnel are covered under defined contribution plans with Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), and Vanguard Fiduciary Trust Company. 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. Total benefit expense for the years ended May 31, 2017 and 2016 was $4,400 and $4,194, respectively.

Health Benefit Plan

On January 1, 2012, the College adopted the Macalester College Medical Benefit Plan (the Plan) to provide comprehensive health benefits for covered employees and their covered dependents, as defined in the Plan agreement. This plan is self-insured and, as such, the College pays the benefits as claims for benefits and associated expenses are incurred subject to stop-loss limits of $110 per claimant for calendar 2017 and 2016. There is also an aggregate stop-loss limit of 125% of expected claims, which is recalculated quarterly based on plan enrollment. For the years ended May 31, 2017 and 2016, the aggregate stop-loss amount was $5,594 and $6,115, respectively. The employees are required to contribute to the cost of coverage under the Plan. A liability for claims reported but not yet paid as of May 31, 2017 and 2016 is reported as a component of accounts payable and accrued expenses on the statements of financial position.

15) Fundraising Expenses

Fundraising expenses for the College totaled $5,270 and $4,872 for the years ended May 31, 2017 and 2016, respectively.

16) Commitments

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

17) Subsequent Event

In connection with the preparation of the financial statements, the College has evaluated subsequent events after the statement of financial position date of May 31, 2017 through October 5, 2017, which is the date the financial statements were available to be issued.

The College is planning to construct a new theater building, including several new general purpose classrooms. As of May 31, 2017, the Board has approved a debt issue to support this project, with an expected issue date in Fall 2017. The Board is expected to approve the full construction project in Fall 2017.

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