OFFICIAL STATEMENT DATED SEPTEMBER 1, 1994

Ratings:
NEW ISSUE **Moody's: Aa/VMIG1**

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

$6,660,000

Minnesota Higher Education Facilities Authority

Variable Rate Demand Revenue Bonds, Series Three-Z

(Macalester College)

(DTC Book Entry Only)

Dated Date: Date of Issue **Principal Due: March 1, 2024**

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date.

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 and Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein.)

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of Macalester College, Saint Paul, Minnesota.

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

The Bonds will initially be issued in the Weekly Reset/Put Mode and will bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including September 20, 1994. At the option of the Authority, the Bonds may be designated to bear interest in a Weekly Reset/Put Mode, Short Monthly Mode or Long Monthly Mode as described herein. Interest on the Bonds shall be payable on each Interest Payment Date for the immediately preceding Interest Accrual Period. Interest shall be computed during a Weekly Reset/Put Mode or a Short Monthly Mode, on the basis of a 365- or 366-day year, as the case may be, and actual days elapsed, and in any other Interest Mode computed on the basis of a 360-day year composed of 12 30-day months. At the option of the Authority and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Owners of the Bonds in the Weekly Reset/Put Mode or Short Monthly Mode have the right to tender their Bonds for purchase by presentation to the Tender Agent at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is Dain Bosworth Incorporated.

BONDHOLDERS SHALL BE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS (UNLESS THE MANDATORY TENDER DATE IS AN INTEREST PAYMENT DATE) ACCRUED INTEREST THEREON, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date includes a Conversion Date, each Mode Change Date and each Rate Adjustment Date during the Long Monthly Mode. Any Bond to be purchased which is not timely delivered to the Tender Agent on a Mandatory Tender Date or Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall cease to accrue interest on such Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain matters will be passed upon for the College by its counsel, Moore, Costello & Hart, St. Paul, Minnesota; and for the Underwriter by its counsel, Dorsey & Whitney, Minneapolis, Minnesota. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter at DTC, on or about September 14, 1994.

Dain Bosworth
Incorporated

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

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

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

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.

TABLE OF CONTENTS

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Jack Amundson, Chair	Partner, McMahon, Hartmann, Amundson & Co., Saint Cloud, Minnesota.
Kathryn Balstad Brewer, Vice Chair	Student, New Brighton, Minnesota.
Mollie N. Thibodeau, Secretary	CFRE, Fund Raising Consultant, Duluth, Minnesota
Earl R. Herring	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
John S. Hoyt, Jr.	CEO, Effective Golf Course Systems, Inc., Edina, Minnesota
Fred Hsiao	President, Shaw/Lundquist Associates, Saint Paul, Minnesota.
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
James R. Miller	Owner and CEO, Rollin & Associates, Inc., Saint Paul, Minnesota
Christopher A. Nelson	Attorney, Pustorino, Pederson, Tilton & Parrington, Minneapolis, Minnesota
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota.

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

OFFICIAL STATEMENT

$6,660,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

VARIABLE RATE DEMAND REVENUE BONDS, SERIES THREE-Z

(MACALESTER COLLEGE)

(Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Macalester College, an institution of higher education located in St. Paul, Minnesota, (the "College") in connection with the issuance of the Authority's $6,660,000 Variable Rate Demand Revenue Bonds, Series Three-Z (Macalester College) (the "Bonds" or the "Issue").

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

The Bonds are being issued pursuant to the Trust Indenture (the "Indenture") between the Authority and First Trust National Association, St. Paul, Minnesota as trustee (the "Trustee"). The Trustee will initially also act as Tender Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the Purchase Price and the principal of and interest on the Bonds as the same shall become due. The proceeds of the Bonds will be loaned to the College by the Authority to finance the acquisition of land, construction of road and athletic field thereon; the acquisition and installation of a cooling tower for air conditioning at the Janet Wallace Fine Arts Center; roof replacement at the Janet Wallace Fine Arts Center, Dupre Hall, Olin Hall and Rice Hall; and improvement to and new furnishings for Kirk Hall, all owned or to be owned and operated by the College and located on the campus of the College in St. Paul, Minnesota (the "Project"), as more fully described under "THE PROJECT."

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the College. Under the Loan Agreement, the College will agree to provide the funds necessary to make timely payment of the Purchase Price of the Bonds which have been tendered for purchase and not remarketed. See also "LIQUIDITY COVENANT," page 12 herein.

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

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

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 and Purchase Price of, premium, if any, or interest on the Bonds.

No Collateral

The Bonds are payable solely from amounts payable by the College under the Loan Agreement. No mortgage lien on or security interest in any College property has been granted to secure payment of the Bonds. There will be no deposit to the Bond Reserve Account.

Liquidity Risk

In the event that Bonds are tendered for purchase but not remarketed, the College will provide the Purchase Price of the Bonds out of its own funds. There is no independent source of liquidity for tendered Bonds such as a letter of credit. The College has agreed in the Loan Agreement to maintain Qualified Investments to provide liquidity for as long as the Bonds are in a Weekly Reset/Put Mode or Short Monthly Mode (see "LIQUIDITY COVENANT," page 12). However, no assurance can be given that sufficient Qualified Investments will be owned by the College. The Liquidity Covenant is not required during a Long Monthly Mode.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made solely from Loan Repayments of the College. The College's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to many conditions and factors which may be beyond the control of the College and may change in the future to an extent that cannot be presently determined. Certain debt of the College is secured by mortgage liens on the property financed. The first $36,879.15 of annual tuition revenue is pledged to one HUD loan. (See "Long-Term Debt of the College," page I-15.)

Reliance on Tuition and Fees

The adequacy of College revenues will in part be dependent on the amount of future tuition revenue received by the College. Tuition revenue in turn will depend primarily on the ability of the College 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. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges, a change in the number of college age students, and adverse general economic conditions will influence the number of applicants to the College.

Financial Aid

Approximately 52% of the College's students currently receive some federal or state financial aid covering tuition and fees or living expenses. No assurance can be given that federal and state financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the 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.

Nature of Proforma Debt Service Coverage

Certain historical operating revenue for the College and computed proforma debt service coverage are provided in Appendix I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The proforma coverage is merely a mathematical computation, as reflected in the applicable table, and no assurance can be given that the College's future revenues will be sufficient to satisfy College operations and Bond and other debt service requirements.

Limited Obligation

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 other obligations of the College. Accordingly, for payment of principal, interest, and premium, if any, and Purchase Price on the Bonds, holders of the Bonds must look solely to the College's ability to make Loan Repayments and to pay the Purchase Price for unremarketed Bonds under the Loan Agreement.

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.

Continuing Disclosure

Recently, certain proposals for formal, continuing disclosure of information to the secondary market have been made by the Securities and Exchange Commission, which proposals are not final or effective. Because the details concerning continuing disclosure are not final, the College has not committed to such disclosure. The College will consider implementing appropriate formal, continuing disclosure in the future if and when the details of any such proposal become final and will implement such disclosure if and to the extent required by law.

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) Reinstatement of or establishment of mandatory governmental wage and price controls.

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

(3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without corresponding increase in revenues.

(4) Adoption of federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the College.

THE BONDS

Although certain features of the Bonds described below will remain the same after the conversion to a Fixed Rate, the purpose of this section is to describe features of the Bonds before the Conversion Date.

General

The Bonds will be dated the date of initial delivery thereof and will mature March 1, 2024.

The Bonds are issuable only as fully-registered Bonds without coupons (initially in Book Entry Form), in the denominations of $100,000 and any larger amount which is an integral multiple of $5,000.

The Bonds bear interest at a variable rate and may, from time to time, be in one of the following Interest Modes: Weekly Reset/Put Mode, Short Monthly Mode or Long Monthly Mode. The Bonds may be converted to a Fixed Rate as described on page 8 under the caption "THE BONDS - Conversion to a Fixed Rate." Until the Conversion Date, the Bonds will be in one of the Interest Modes and may change from one Interest Mode to another, at the option of the College.

The Mode Change Date is the date on which there is a change from one Interest Mode to another Interest Mode. See "THE BONDS - Change of Interest Modes" on page 6.

The Bonds will bear interest at the same interest rate throughout a given Rate Period (which is determined by reference to the then applicable Interest Mode), as determined by the Remarketing Agent on a specified date (the "Rate Determination Date") prior to the Rate Period for which such interest rate is to become effective (the "Rate Adjustment Date"). See "THE BONDS - Setting of Interest Rates" on page 5.

The Bonds will initially bear interest in a Weekly Reset/Put Mode. From the Issue Date to and including September 20, 1994, the Bonds will bear interest at a rate to be determined by the Remarketing Agent prior to the Issue Date.

<u>Weekly Reset/Put Mode</u>

During the Weekly Reset/Put Mode, the Bonds will bear interest at rates established by the Remarketing Agent, as described under the caption "THE BONDS - Setting of Interest Rates." A Rate Period during this Interest Mode will last seven days and begins on a Wednesday of a week (or a Mode Change Date) and will end on the following Tuesday (or a Mode Change Date). Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed and will be payable on the first Business Day of each month. During this Interest Mode, Bonds are subject to optional and mandatory tender. See the captions "THE BONDS - Optional and Mandatory Tender," pages 6-8.

<u>Short Monthly Mode</u>

During the Short Monthly Mode, the Bonds will bear interest at rates established by the Remarketing Agent, as described under the caption "THE BONDS - Setting of Interest Rates." A Rate Period during this Interest Mode will last for one or more months not exceeding twelve months, beginning on a Rate Adjustment Date and ending on the day preceding a subsequent Interest Payment Date. Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed and will be payable on the first Business

Day of each month. During this Interest Mode, Bonds are subject to optional and mandatory tender. See "THE BONDS - Optional and Mandatory Tender," pages 6-8.

Long Monthly Mode

During the Long Monthly Mode, the Bonds will bear interest at rates established by the Remarketing Agent, as described under the caption "THE BONDS - Setting of Interest Rates." A Rate Period during this Interest Mode will last thirteen or more months, beginning on a Rate Adjustment Date and ending on the day preceding a subsequent Interest Payment Date. Interest will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest will be payable on the first March 1 or September 1 at least 90 days after the Mode Change Date and each March 1 and September 1 thereafter. During this Interest Mode, Bonds are subject to mandatory but not optional tender. See the caption "THE BONDS - Optional and Mandatory Tender - Mandatory Tender," pages 6-8. The Liquidity Covenant will not apply during the Long Monthly Mode. See "THE LIQUIDITY COVENANT," page 12.

Setting of Interest Rates

The College has appointed Dain Bosworth Incorporated to serve as the Remarketing Agent (the "Remarketing Agent") who will determine the interest rate on the Bonds on the applicable Rate Determination Date. The College may remove the Remarketing Agent upon 30 days' notice and appoint a successor Remarketing Agent.

During each Rate Period, the interest rate for all Bonds shall be that rate which, in the determination of the Remarketing Agent, if borne by the Bonds on the Rate Determination Date, would result in the market value of the Bonds being 100% of the principal amount thereof. The Remarketing Agent shall take into account general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on such rates.

The Trustee shall give notice of the interest rate to the Holders (a) in the case of Bonds in a Short Monthly Mode or Long Monthly Mode by mail on the Rate Adjustment Date (or if such day is not a Business Day, the next succeeding Business Day) and (b) in the case of Bonds in a Weekly Reset/Put Mode by electronic notice on the Rate Adjustment Date (or if such day is not a Business Day, the next succeeding Business Day) only to Holders who request notice. The Trustee shall also notify Holders of the duration of the next Short Monthly Period or the Long Monthly Period, as selected by the College.

The interest rate determination by the Remarketing Agent shall be conclusive and binding on the Holders, the College, the Authority, the Tender Agent and the Trustee. Failure by the Trustee to give any notice described herein, or any defect therein, shall not affect the interest rate borne by the Bonds or the rights of the Holders thereof.

In the event that the Remarketing Agent is unable, or fails, to determine the interest rate for any Rate Period, or if the interest rate for any Rate Period is held unenforceable or the determination is held invalid by a court of law, the interest rate shall be the rate equal to the Interest Index computed by the Indexing Agent. If for any reason the Rate Period cannot be established, the Short Monthly Period will be one month and the Long Monthly Period will be thirteen months.

The interest rate on any Bond before the Conversion Date may not exceed 15% per annum.

Change of Interest Modes

From time to time, prior to the Conversion Date, the College will have the option to direct the Authority by written notice (a "Mode Change Notice") to designate for the Bonds a different Interest Mode than the Interest Mode then in effect. The Mode Change Notice must be given at least thirty-five (35) days before the date on which the different Interest Mode is to begin (the "Mode Change Date").

At least 30 days prior to the Mode Change Date, the Trustee must give notice thereof by mail to the Holders of the Bonds stating the Mode Change Date and whether the different Interest Mode will be a Weekly Reset/Put Mode, a Short Monthly Mode or Long Monthly Mode and if such different Interest Mode is either a Short Monthly Mode or a Long Monthly Mode, the number of months in the initial Rate Period. No designation of an Interest Mode shall take effect unless the College has furnished the Trustee, on or before the date such notice is given, an opinion of nationally recognized bond counsel to the effect that the designation of the different Interest Mode will not adversely affect the exemption of interest on the Bonds from federal income taxation.

Notwithstanding the foregoing, the College may direct the Authority to cancel the change to a different Interest Mode at any time on or prior to the Rate Determination Date preceding a change to a Long Monthly Mode, and the 13th day preceding the Mode Change Date with respect to any other Interest Mode. In such event, the Bonds will be in a Weekly Reset/Put Mode commencing on the proposed Mode Change Date. Such proposed Mode Change Date shall remain a Mandatory Tender Date, except in the case where the Bonds are in a Weekly Reset/Put Mode immediately prior to the proposed Mode Change Date.

Optional and Mandatory Tender

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

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

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to the Depository. No Bond in Book-Entry Form (other than a Bond which is to be converted to a Fixed Rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date. For purposes of giving an Optional Tender Notice and requiring an optional tender pursuant to the Indenture of a Bond in Book-Entry Form, the Beneficial Owner shall be deemed the Holder thereof. Upon receipt of an Optional Tender Notice, the Tender Agent will promptly notify the Participant who is the nominee for the tendering Beneficial Owner (or the Depository, if such Beneficial Owner is a Participant) of such receipt. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

Optional Tender

Prior to the Conversion Date, except in a Long Monthly Mode, a Holder may tender Bonds for purchase at the principal amount thereof plus accrued interest to the Tender Agent (a) on any Rate Adjustment Date for Bonds in a Short Monthly Mode, and (b) on any Business Day at least seven days after the Notice of Optional Tender is deemed to be given by the Holder for Bonds in a Weekly Reset/Put Mode. During a Long Monthly Mode there is no optional tender right.

While the Bonds are in a Weekly Reset/Put Mode, the Tender Agent will purchase Bonds at the option of the Holder provided that an Optional Tender Notice is delivered to the Tender Agent at its principal office at or before 3:00 P.M., Minneapolis time, on any Business Day (and if such Notice is delivered after the required time, it shall be deemed to be delivered on the next succeeding Business Day), which shall be irrevocable. The Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the date on which such Bond is to be purchased, which date shall be a Business Day not less than seven days after the date the Optional Tender Notice is deemed received. During any period in which the Bonds are not in the Book-Entry System, such Bond must be delivered (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent) to the Tender Agent, at its principal office, by 9:00 A.M., Minneapolis time, on the Optional Tender Date.

While the Bonds are in a Short Monthly Mode, the Tender Agent will purchase Bonds at the option of the Holder provided that an Optional Tender Notice is delivered to the Tender Agent at its principal office at or before 3:00 P.M., Minneapolis Time, on a Business Day which is at least seven days before the next succeeding Rate Adjustment Date (and if such Notice is delivered after the required time, it shall be deemed to be delivered on the next succeeding Business Day), which shall be irrevocable. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the Rate Adjustment Date on which such Bond is to be purchased. During any period in which the Bonds are not in the Book-Entry System, such Bond must be delivered (together with an appropriate instrument of transfer executed in blank form satisfactory to the Tender Agent) to the Tender Agent, at its principal office, by 9:00 A.M., Minneapolis time, on the Optional Tender Date.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date, but for which there has been deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue interest on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

Mandatory Tender

The Bonds are required to be tendered for purchase at the Purchase Price to the Tender Agent in the following events: on the Conversion Date; each Mode Change Date; each Rate Adjustment Date during the Long Monthly Mode; and each proposed Conversion Date and each proposed Mode Change Date which is canceled by the College, unless the Bonds are in a Weekly Reset/Put Mode, prior to such cancellation.

The Trustee shall give notice by mail to the Holders of the Bonds subject to such mandatory tender not less than 30 days prior to the Mandatory Tender Date.

Each Bond must be tendered to the Tender Agent for purchase on behalf of the College at or before 9:00 A.M., Minneapolis time, on the applicable Mandatory Tender Date, or on any Business Day thereafter in the case of untendered Bonds, by delivering such Bond to the Tender Agent during any period in which the Bonds are not in the Book-Entry System (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender

Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the College at the Purchase Price.

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

Remarketing and Purchase

In the event that notice is received by the Tender Agent of any optional tender, or if the Bonds become subject to mandatory tender, the Remarketing Agent shall use its best efforts to remarket such Bonds at a price of par plus accrued interest on the Optional Tender Date or Mandatory Tender Date, as the case may be. Any Bonds so remarketed shall remain outstanding and entitled to the benefits of the Indenture.

Bonds tendered for purchase shall be paid by the Tender Agent: first, from moneys derived from the remarketing of such Bonds by the Remarketing Agent; and second, from moneys made available by the College. The College is obligated to purchase any Bonds tendered for purchase on an Optional Tender Date or Mandatory Tender Date, to the extent such Bonds have not been remarketed. To provide for the purchase of tendered Bonds which are not remarketed, the College has covenanted in the Loan Agreement to maintain certain instruments with a custody agent. See "LIQUIDITY COVENANT," page 12.

Conversion to a Fixed Rate

The Indenture provides that the College has the one-time right, to be exercised at any time, to direct the Authority to convert the interest rate on the Bonds to a Fixed Rate, effective on an Interest Payment Date. To exercise its option, the College must deliver to the Authority, the Trustee, the Tender Agent and the Remarketing Agent written notice thereof at least 35 days prior to the Interest Payment Date on which the Fixed Rate is to become effective (the "Conversion Date") and an opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See "Tax Exemption," pages 19 and 20.

The Trustee shall give notice by mail to the Holders of the conversion to a Fixed Rate not less than 30 days prior to the Conversion Date, specifying, among other things, the Conversion Date, the Computation Date, which is the date on which the Fixed Rate shall be determined and announced, which shall be the thirteenth day (or if such day is not a Business Day, the preceding Business Day) immediately preceding the Conversion Date, and stating that the Bonds shall be subject to mandatory tender for purchase on the Conversion Date.

Notwithstanding the foregoing, the College may direct the Authority to cancel any notice of a conversion to a Fixed Rate at any time prior to the Computation Date. In such event, the Bonds will be in a Weekly Reset/Put Mode commencing on the proposed Conversion Date. Such proposed Conversion Date shall remain a Mandatory Tender Date, except in the case where the Bonds are in a Weekly Reset/Put Mode immediately prior to the proposed Conversion Date.

On the Computation Date, the Remarketing Agent shall determine the Fixed Rate, which shall be the annual interest rate, which, in the determination of the Remarketing Agent, if borne by the Bonds until their maturity, would result in the market value of such Bonds on that date being as nearly as practicable 100% of the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders willof any affected Bonds shall have no right to tender such Bonds for purchase.

Redemption

Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the College, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, plus accrued interest on the redemption date. However, if the Bonds are in the Long Monthly Mode and the then applicable Rate Period exceeds ten years, then the Bonds shall not be subject to redemption until the first Interest Payment Date following the tenth anniversary of the first day of the Long Monthly Period and thereafter on any Interest Payment Date.

Mandatory Redemption

The Bonds will be subject to mandatory redemption at par and accrued interest, as a whole but not in part, on the next practicable Interest Payment Date upon a Determination of Taxability as provided in the Loan Agreement.

Partial Redemption

If less than all of the Bonds at the time outstanding are to be called for prior redemption, the College shall designate to the Trustee the amount of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected by lot or such other manner as the Trustee deems fair, unless otherwise provided in the Indenture, by the Trustee. The College may direct the Trustee to select by lot from among all the Holders and thereafter select by lot the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders.

Prior to the Conversion Date, in the case of Bonds of denominations greater than $100,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $100,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $100,000. If it is determined that one or more, but not all, of the $100,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $100,000 unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $100,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than $100,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the $100,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $100,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said $100,000 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 $100,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall be subject to mandatory redemption in whole on the first practicable date thereafter at a price of par and accrued interest without premium. See "Tax Exemption" on pages 19 and 20 and Appendix III, "DEFINITION OF CERTAIN TERMS."

Book Entry System

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest 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 Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

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

The Authority 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 sources that the Authority believes to be reliable, but the Authority, the Underwriter and the College take no responsibility for the accuracy thereof.

THE LIQUIDITY COVENANT

Under the Loan Agreement the College has agreed to provide funds necessary to make timely payment of the Purchase Price of the Bonds subject to purchase pursuant to an optional or mandatory tender and not remarketed by the Remarketing Agent. To provide for timely payment, the College covenants that, while the Bonds are in the Weekly Reset/Put Mode or the Short Monthly Mode, the College shall own Qualified Investments (as defined below) in at least the Coverage Amount (as defined below) as of each Valuation Date (as defined below) which are at all times held by a custody agent (the "Custodian") who has entered into an agreement with the College to transfer specified amounts to the Trustee under specified conditions. The initial Custodian is First Trust National Association.

At the Date of Issue and on or within fifteen days prior to every March 15 and September 15 thereafter until the Bonds have been converted to a Fixed Rate and unless the Bonds are in the Long Monthly Mode, the College shall provide or cause the Custodian to provide to the Trustee the following: (i) a list of Qualified Investments and (ii) a certificate as to valuation and maturities of the Qualified Investments as of the Valuation Date. The certificate shall be accompanied by copies of records of a third party, such as the Custodian, as to the Qualified Investments, fair market value as of the Valuation Date, and the maturity dates of the Qualified Investments which records are deemed by the Trustee to be sufficient to enable the Trustee to verify the certifications of the College or the Custodian on behalf of the College.

The following are defined terms for purposes of this Liquidity Covenant:

"Qualified Investments" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or debentures the principal of and interest on which are fully guaranteed by the United States of America or evidences of indebtedness issued or guaranteed by federal agencies which have been rated or meet the requirements for being rated "Aaa" by Moody's Investors Service or money market funds which have been rated "Aaa" by Moody's Corporate Department Financial Institution Group or which meet the requirements for being rated "Aaa" by Moody's Corporate Department Financial Institution Group, including The Common Fund, which have been specified by the College, from time to time, and which are Available and mature in ten years or less.

"Available," as applied to Qualified Investments, means (a) not restricted by donor or by law to a specific purpose or purposes not consistent with the payment of the Purchase Price of the Bonds, and (b) not pledged, assigned or hypothecated by the College to any person or entity to secure indebtedness of the College or any other person; provided that a security interest may be granted to the Custodian to secure payment obligations owed to the Custodian from time to time.

"Coverage Amount" means the fair market value of the Qualified Investments (expressed as a percentage of the outstanding principal amount of Bonds), adjusted for the maturity of the Qualified Investments as follows:

(i) if the maturity is five years or less, then the Coverage Amount is 120%;
(ii) if the maturity is ten years or less, then the Coverage Amount is 130%.

"Valuation Date" means the date of valuation of the Qualified Investments which shall be a date within thirty days of the date of the certificate being provided periodically to evidence compliance with the Liquidity Covenant.

ESTIMATED SOURCES AND USES

Sources and uses of funds for the Project are expected to be approximately as follows:

Sources of Funds	
The Bonds	$6,660,000
College Funds	5,350
	$6,665,350
Uses of Funds	
Athletic Fields/Campus Road	$2,680,000
Cooling Tower	215,000
Roof Replacements	300,000
Kirk Hall Renovation	3,336,000
Costs of Issuance	134,350
	$6,665,350

Issuance costs including underwriter's discount and fees will not exceed 2% of the proceeds of the Bonds. There will be no deposit to the Reserve Account.

THE PROJECT

Net proceeds of the Bonds will finance the following four construction projects:

1. The acquisition of land for and the expansion of College athletic fields and the construction of a campus road;

2. The acquisition and installation of a cooling tower for air conditioning on top of the Janet Wallace Fine Arts Center;

3. Replacement of roofs for the Janet Wallace Fine Arts Center, Dupre Hall, Olin Hall and Rice Hall; and

4. Renovation, refurnishing and the purchase of new equipment for Kirk Hall, a residence hall.

The projects have been substantially completed.

FUTURE FINANCING

The College contemplates borrowing approximately $15,000,000 in early 1995 to finance the renovation and expansion of Rice and Olin Halls on the campus of the College.

SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture.

The obligation to make the Loan Repayment is a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The College agrees to make such payments out of its operating funds or any other moneys legally available.

The Bonds are not secured by any mortgage lien on or security interest in any property of the College or a reserve account.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement and moneys made available under the Liquidity Covenant are to be deposited. These accounts include a Construction Account, a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. No deposits will be made to the Reserve Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments, proceeds of remarketing or moneys available under the Liquidity Covenant are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds or the Purchase Price of the Bonds when due.

Construction Account

There shall be deposited initially into the Construction Account the net proceeds received from sale of the Bonds less the amount of underwriters discount. On the day of Bond Closing approximately $4,981,000 will be reimbursed to the College from the Construction Account. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and 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 less original issue discount according to the reoffering scale). 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 Buildings has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

Bond Purchase Fund

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

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

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in either the Liquidity Account or General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or Mandatory Tender Date, authorize the payment of such balance to the College.

Bond and Interest Sinking Fund Account

There shall be deposited into the Bond and Interest Sinking Fund Account (a) transfers of amounts in other funds and accounts as permitted and required by the Indenture, including moneys held in the Construction Account and transferred to pay interest on the Bonds during construction, and (b) money paid in as Loan Repayments made by the College or any other moneys received by the Trustee from the College and directed by the College to be deposited therein.

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.

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 Reserve Account, in the order listed, and, second, for the redemption of outstanding Bonds at the request or direction of the College 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.

General Bond Reserve Account

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. In connection with the Bonds, the Authority will not require that the College deposit funds into the General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.**

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond Purchase Fund, Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments and state housing finance agencies, rated at least A; revenue bond obligations of states and local governments rated at least AA or Aa; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements or reverse repurchase agreements collateralized by the foregoing obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation or collateralized by certain government obligations; certain guaranteed investment contracts issued by a bank or insurance company rated at least A; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 8.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

THE AUTHORITY

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $350 million. The Authority has had 86 issues (including refunded and retired issues) totaling $408,734,189 of which $214,967,276 (excluding the Bonds) is outstanding as of August 1, 1994. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. However, pursuant to special legislation, the Authority has twice issued bonds on behalf of a State owned and operated post-secondary institution. In addition, State community and technical colleges are eligible for assistance in financing child-care facilities, but not other types of projects. 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.

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

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

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

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

FINANCIAL ADVISOR

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

CERTAIN RELATIONSHIPS

Dorsey & Whitney is acting as Underwriter's counsel in connection with the issuance and sale of the Bonds. David A. Ranheim, a partner in Dorsey & Whitney, is a member of the Board of Trustees of the College.

UNDERWRITING

The Bonds are being purchased by Dain Bosworth Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $6,640,020. The initial public offering prices set forth on the cover page may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page.

RATING

As noted on the cover page hereof, Moody's Investors Service has given the Bonds a long-term rating of "Aa" and a short-term rating of "VMIG1." The ratings reflect only the view of such rating agency. There is no assurance that either 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.

Moody's Investors Service provides the following rating definitions:

> "Bonds that are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present that make the long-term risks appear somewhat larger than in Aaa securities.
>
> Issues or the features associated with **MIG** or **VMIG** ratings are identified by date of issue, date of maturity or maturities or rating expiration date and description to distinguish each rating from other ratings. Each rating designation is unique with no implication as to any other similar issue of the same obligor. **MIG** ratings terminate at the retirement of the obligation while **VMIG** rating expiration will be a function of each issue's specific structural or credit features.
>
> **(VMIG1)** denotes best quality. There is present strong protection by established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing."

LITIGATION

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

LEGALITY

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

Certain legal matters will be passed upon for the College by Moore, Costello & Hart, St. Paul, Minnesota; and for the Underwriter by Dorsey & Whitney, Minneapolis, Minnesota.

TAX EXEMPTION

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

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. 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 mandatory redemption without premium. (See "THE LOAN AGREEMENT- Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code will not give rise to a Determination of Taxability.

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

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over $2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1996.

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

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

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

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

APPENDIX I

THE COLLEGE

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

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

Governance

The College is governed by the Board of Trustees which consists of such number of members as may be determined from time to time by the Board. Currently there are 27 members, including the President of the College. The President of the College 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

James L. Carter	Senior Pastor, House of Hope Presbyterian Church Saint Paul, Minnesota
Stephen M. Clement, III	Headmaster, The Browning School New York, New York
Cynthia M. Crossen	Marketplace Editor, Wall Street Journal-New York Bureau New York, New York
Richard E. Eichhorn	Private Investor and Business Advisor Champlin, Minnesota
Robert M. Gavin, Jr.	President, Macalester College Saint Paul, Minnesota
Kenneth O. Gilmore	Editorial Consultant, Mount Kisco, New York
Paula Turner Grasso	Community Volunteer, Winnetka, Illinois
Peter A. Heegaard	Managing Principal, Norwest Capital Advisers Minneapolis, Minnesota
Timothy A. Hultquist	Managing Director, Morgan Stanley & Co., Inc. New York, New York
Heinz F. Hutter	Retired President & COO, Cargill, Incorporated Minneapolis, Minnesota
Doyle E. Larson	Chairman & CEO, Centurion Enterprises San Antonio, Texas
Mark F. Lindsay	Counsel, Hon. Louis Stokes, United States Congress, Washington, D.C.
Margaret W. Marvin	Community Volunteer, Warroad, Minnesota
Joan Adams Mondale	Arts Advocate, Tokyo, Japan
Janet Rajala Nelson	President, St. Paul Custom Markets Saint Paul, Minnesota
David A. Ranheim	Partner, Dorsey & Whitney, Minneapolis, Minnesota
John C. Robinson	President, Group Robinson San Francisco, California
Ann M. Samuelson	Marketing Consultant, Minneapolis, Minnesota
Mark A. Vander Ploeg	Managing Director, Salomon Brothers San Francisco, California
Mary W. Vaughan	Community Volunteer, Minneapolis, Minnesota
F. T. Weyerhaeuser	Chairman of the Board, Clearwater Management Company, Saint Paul, Minnesota

The President

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

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

Treasurer of the College

Paul J. Aslanian is Treasurer of the College and has been chief financial officer of Macalester College since 1975. As the College's chief financial officer, he is responsible to the President for coordinating the construction and control of the College's budget, cash management, financial aid, off-campus properties, and the business office. He staffs the President's Advisory Committee on Long Range Planning and Budgeting as well as the Trustee committees on audit, finance and investment. Mr. Aslanian is a trustee of the Common Fund, chair of the Common Fund's Cash Management Committee, and past director of the National Association of College and University Business Officers. A Certified Public Accountant, he earned B.A. and M.B.A. degrees from the University of Washington and is a member of the faculty of the Economics Department.

Other Members of the President's Council

Kenneth W. Andrews, Director, Physical Education and Recreation
Daniel J. Balik, Registrar/Director of Institutional Research, Academic Records
Ann Marie Bolger, Director, Residential Life
Joel G. Clemmer, Director, Library
Steve Colee, Director, Admissions
Edward A. DeCarbo, Jr., Dean of Students
Mark D. Dickinson, Director, Physical Plant and College Services
Duane R. Elvin, Director, Human Resources
David H. Griffith, Vice President for College Advancement
Ellen D. Guyer, Dean of Academic Programs
Laurie B. Hamre, Associate Dean of Students, Dean of Students
Lora Hendrickson, Associate Director & Staff Affirmative Action Officer, Human Resources
Alexander G. Hill, Assistant to the President
Daniel J. Hornbach, Provost
James W. Laine, Academic Dean
Edmund D. Meyers, Jr., Director, Computing and Information Technology
Ahmed I. Samatar, Dean of International Programs & Director of International Studies Program
Douglas A. Stone, Director, College Relations
William M. Shain, Dean, Admissions
Anne Sutherland, Dean, International Faculty Development & Professor, Anthropology

Campus and Buildings

The College campus occupies approximately 45 acres in a residential neighborhood five miles west of downtown St. Paul. There are 26 buildings on the main campus. The oldest is Old Main, which was built in 1885, and the most recent is DeWitt Wallace Library, which was completed in 1988.

The College owns and maintains 11 other buildings adjacent to campus which are used for a variety of functions ranging from administrative to an international student center to language residence houses.

The following is a brief description of the College campus buildings grouped by category. The year in parenthesis indicates the year of building construction.

Academic Buildings

Athletic Facilities - The athletic facilities are comprised of three interconnected buildings: the Gymnasium (1923), the Field House (1955), and the Natatorium (1983), a six-lane 25-meter swimming pool. Additionally, the Stadium (1964) can accommodate 4,000 spectators for football, soccer and track events.

Carnegie Hall (1909) - Completely renovated in 1990, Carnegie Hall houses the departments of Anthropology, Economics, Geography, Political Science and Sociology.

Janet Wallace Fine Arts Center (1965) - The five-building Janet Wallace Fine Arts Center provides facilities for the Art Department, Humanities, Music and Theatre, with a central core building connecting the other four buildings. A two-story addition and remodeling of the Humanities wing was recently completed.

DeWitt Wallace Library (1988) - State of the art library having a collection of approximately 450,000 books and bound periodicals. The $10 million building was paid for entirely from gifts and grants.

Old Main (1885) - The oldest building on campus was renovated completely during 1992-93, and houses the departments of Education, History, Philosophy and Religion.

Olin Hall (1961) - One of two science buildings on campus, Olin Hall houses the departments of Chemistry, Math/Computer Science, Physics/Astronomy. Olin also includes a 262-seat lecture hall/auditorium.

Rice Hall (1970) - The departments of Biology, Geology and Psychology occupy the space in this second science building on campus, which adjoins Olin Hall.

Administrative Support Buildings

Kagin Dining Commons (1962) - Central dining facilities for campus student residents.

Student Union (1950) - The College campus community center that provides space for the Grille and the campus Post Office, as well as offices for Campus Programs, Career Development, Residential Life, and the student-run newspaper, radio station, and student government offices.

Weyerhaeuser Chapel (1969) - This building functions not only as a chapel, but also as a gathering place for lectures and meetings.

Weyerhaeuser Hall (1941) - Originally constructed as the library, this building was completely remodeled in 1989 to provide support facilities for the College's administration.

Winton Health Center (1952) - This building houses the health service as well as psychological counseling services.

Residence Halls

Bigelow Hall (1946) - 65 rooms, housing 117 students. Total renovation was completed in 1991.

Dayton Hall (1956) - 61 rooms, housing 113 residents.

Doty Hall (1962) - 87 rooms, housing 152 students.

Dupre Hall (1962) - 192 rooms, housing 271 students. Lounge renovation will be completed in the summer, 1994.

Kirk Hall (1926) - 97 rooms, housing 154 students. Total renovation was completed in 1993.

Stadium (1964) - In addition to its athletic role, there are 11 student rooms which house 21 residents.

Turck Hall (1956) - 72 rooms, housing 139 students.

Wallace Hall (1906) - 69 rooms, for 145 students.

37 Macalester - Small apartment building adjacent to campus, which was remodeled in 1986 to house 26 students.

Language Houses - Four houses near campus for language programs, housing 31 students.

Academic Information

Macalester College follows the four-one-four academic calendar of two 14-week terms during the academic year, separated by a one-month intersession in January. The normal student course load is considered to be four courses for credit during each of the fall and spring terms and one course or project during the interim term. The Bachelor of Arts degree is awarded in 33 departmental and interdepartmental programs. Programs leading to licensure for pre-kindergarten, kindergarten, elementary and secondary teaching are offered by the education department in cooperation with other departments of the College.

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

Student Body

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

	Fall Term	Total FTE	Total Head Count
Actual:	1985	1,613	1,703
	1986	1,679	1,768
	1987	1,744	1,827
	1988	1,760	1,847
	1989	1,780	1,855
	1990	1,780	1,853
	1991	1,776	1,858
	1992	1,765	1,838
	1993	1,761	1,836
Estimated:*	1994	1,775	
	1995	1,775	
	1996	1,775	

* *Estimates are those of the College management and are based on a policy of the Board of Trustees, recently reaffirmed, to hold total enrollment at or below the current level, which is essentially the capacity of the College campus. However, events and circumstances frequently do not occur as expected, and actual enrollment levels may vary materially from those estimated.*

Geographical Distribution, Fall Term 1993

Place of Origin	Number of Students
Minnesota	407
Wisconsin	118
Illinois	85
New York	76
Massachusetts	76
California	60
Iowa	59
Ohio	56
Michigan	37
Washington	36
Other States	664
International	162
Total	1,836

Undergraduate Student Retention

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

Fall Semester	New Freshmen	Percent of Students Returning 2nd Year	3rd Year	4th Year	Percent of Graduates 4 Years	By 5th Year
1983	388	87%	72%	70%	51%	70%
1984	400	86	77	75	57	71
1985	402	87	79	75	53	70
1986	452	91	81	77	61	73
1987	442	89	80	77	61	73
1988	435	91	83	82	67	76
1989	424	90	82	78	65	
1990	431	93	86	80		
1991	403	88	82			
1992	475	91				

Freshmen Applications, Admissions and Enrollments

Fall Semester	# Applications Received	# of Offers of Admission	Percent Admitted	Freshmen Enrolled	Percent of Admitted Enrolled	Mean Composite SAT Scores
1989	2,314	1,299	56	424	33	1,225
1990	2,331	1,312	56	431	33	1,220
1991	2,360	1,361	58	403	30	1,230
1992	2,749	1,453	53	475	33	1,213
1993	2,939	1,496	51	452	30	1,230

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 from the academic years 1987-88 through 1992-93.

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Tuition and Fees*	$11,542	$12,471	$13,331	$14,125	$15,107	$16,010
Room	1,820	1,930	2,064	2,188	2,340	2,480
Full Board	1,680	1,784	1,906	2,020	2,162	2,292
Total	$15,042	$16,185	$17,301	$18,333	$19,609	$20,782

* *Certain other fees may be charged depending on activity or course of study.*

1993-94 Undergraduate Tuition, Fees, Room and Board Comparison

The following table compares the College's charges for tuition, fees, room and board to selected private four-year colleges. The colleges are listed in order of total cost.

	Tuition & Fees	Room/Board	Total
Swarthmore College	$18,482	$6,300	$24,782
Oberlin College	18,950	5,620	$24,570
Reed College	19,250	5,230	$24,480
Williams College	18,795	5,595	$24,390
Smith College	18,136	6,100	$24,236
Wesleyan University (Connecticut)	18,780	5,390	$24,170
Bowdoin College	18,300	5,855	$24,155
Amherst College	19,152	5,000	$24,152
Haverford College	18,000	5,950	$23,950
Pomona College	16,900	6,920	$23,820
Wellesley College	17,725	6,090	$23,815
Carleton College	18,405	3,750	$22,155
Occidental College	16,188	5,610	$21,798
Colorado College	16,062	3,976	$20,038
Lawrence College	16,361	3,575	$19,936
Grinnell College	15,368	4,422	$19,790
Macalester College	**15,107**	**4,502**	**$19,609**
St. Olaf College	13,560	3,640	$17,200

Faculty and Staff

The teaching student-faculty ratio for 1993-94 is 12 to 1. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

The College employs 130 full-time and 70 part-time teaching faculty. The total faculty payroll for Fiscal Year 1992-93 was approximately $8,600,000 including benefits.

Salaries of Full-Time Instructional Faculty

Academic Rank	Number of Faculty	Average Total* Compensation
Professor	46	$77,549
Associate Professor	32	60,354
Assistant Professor	36	50,043
Instructor	7	42,492

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

Of the full-time faculty reported on an AAUP salary survey, 110 hold Ph.D's or the highest degree in their field. Approximately 64% are tenured.

Collective Bargaining Units

The International Union of Operating Engineers, Local 70, AFL-CIO, St. Paul, Minnesota represents employees in two collective bargaining agreements at the College. The maintenance unit, composed of 42 employees, represents custodians, groundspersons, and skilled crafts positions. The engineer unit, composed of 12 employees, represents maintenance and operating engineers. The two current agreements both expire on August 31, 1995. These are the only two bargaining units at the College.

Pension Plans

The College provides pension benefits to substantially all employees. Certain academic and non-academic personnel are covered under a contributory plan. A plan covering union employees is funded by deposits with trustees based on a fixed rate of contribution per hour worked. The College has no liability for these pension plans once deposits are made to the administrators. The College has an unfunded pension plan which supplements retirement benefits of certain professional and staff employees not fully covered by other plans. The unfunded liability under the supplemental plan at May 31, 1994 was approximately $202,621.

Total pension expense for the year ended May 31, 1994 was $1,334,908 including $37,369 paid under the unfunded supplemental plan.

Financial Aid

Approximately 75% of the current student body receives some form of financial aid. For the past five years, the average total financial aid to Macalester students, which includes Macalester grants, loans and student employment, represents 42% to 50% of total costs of attendance. No assurance can be given that federal and State student financial aid will continue to be funded at current levels. Following is a five-year history of financial aid awarded to students of the College. This table does not include non-need based aid such as SELF and PLUS loans.

	1989-90	1990-91	1991-92	1992-93	1993-94
Grants	$5,491,500	$6,311,000	$ 7,268,000	$ 8,664,000	$ 9,940,000
Loans	1,859,000	1,977,000	1,972,000	1,966,000	2,380,000
Work-Study	1,096,000	1,149,000	1,298,000	1,383,000	1,412,000
Total	$8,446,500	$9,437,000	$10,538,000	$12,013,000	$13,732,000
Percent of Full-Time	72%	72%	73%	74%	75%
Average Award Per Recipient	$6,779	$7,538	$8,370	$9,392	$10,610

The DeWitt Wallace Fund for Macalester College

The DeWitt Wallace Fund for Macalester College ("the Wallace Fund") is a New York nonprofit corporation which was formed in 1981 as a tax-exempt supporting organization under Section 509(a)(3) of the Internal Revenue Code exclusively for the purpose of supporting the College. It was funded with gifts of stock of The Reader's Digest Association, Inc. ("Reader's Digest"). In furtherance of its purpose, the Wallace Fund may expend its assets and income in support of or to benefit the College or make distributions of assets and income to the College to support College programs and activities. The Wallace Fund is governed by a board consisting of six directors, two of whom are required to be the President of the College and the Chair or a past Chair of the College's Board of Trustees. Currently, the governing board of the Wallace Fund consists of the President of the College, three past Chairs of the College's Board of Trustees, one of whom continues to serve as a Trustee of the College and chairs the College's Investment Committee, and two directors of Reader's Digest.

As of May 31, 1994, the market value of the net assets of the Wallace Fund was estimated at $369,552,000 (see Note 2 to the Financial Statements of the College included in Appendix V of this Official Statement).

During fiscal years 1982 through 1989, the College received the dividends from the Reader's Digest stock held by the Wallace Fund. In February 1990, the stock of Reader's Digest began being publicly traded, thus establishing a market and a market value for the Wallace Fund assets. Beginning with the fiscal year of the College ended May 31, 1990, the assets of the Wallace Fund were reported on the College's balance sheet, although legal title to the assets remains with the Wallace Fund and the assets also appear on the balance sheet of the Wallace Fund. As of December 31, 1993, approximately 31% of the principal amount of the Wallace Fund assets were held in diversified investments managed by the College, with the remainder of the assets invested in Reader's Digest stock.

The College's 1994-95 operating budget includes $14,021,000 in anticipated distributions from the Wallace Fund. Distributions for operations for fiscal year 1993-94 totaled $13,230,000. The President of the College has regularly requested, and the governing board of the Wallace Fund has agreed to, restrictions on the annual distribution which require that the distribution be used for such purposes as student aid, operations, faculty salaries, recruiting expenses, capital improvements and other purposes which relieve the College of the need to expend its unrestricted funds for those purposes. As a result, unrestricted funds of the College which would otherwise be required for such purposes are freed up for other purposes, including the payment of indebtedness. Because of the makeup of the governing board of the Wallace Fund, and because the Wallace Fund exists exclusively for the support of the College, the College expects that distributions will continue in the future to be made to the College in a similar manner. It is possible, however, that the governing board of the Wallace Fund could make distributions in support of or to benefit the College, or make distributions to the College, for purposes which do not result in freeing up unrestricted funds of the College.

Endowment and Similar Funds

Following is a five-year history of the ending fund balances of the College's Endowment and Similar Funds, as reported in the annual financial statements of the College for each year.

Year Ended May 31	Wallace Fund	Endowment	Quasi-Endowment	Annuity and Life Income
1990	$251,784,608	$47,883,598	$10,611,321	$4,102,313
1991	251,784,608	57,599,717	14,370,048	4,998,173
1992	262,145,139	65,500,164	18,410,423	4,962,708
1993	262,145,139	70,344,525	24,202,405	6,653,789
1994	262,145,139	77,847,511	25,890,712	6,668,560

According to a survey conducted by the National Association of College and University Business Officers (NACUBO), the College ranked 33rd among 395 higher education institutions and foundations reporting on the total market value of total endowment assets at the end of Fiscal Year 1993 and is the second highest ranked in that list of any independent liberal arts college. The rankings take into account the Wallace Fund.

Market Value of Endowment Assets

Following is the combined market value of the College's endowment assets (including the Wallace Fund assets and excluding annuities and life income) as of May 31 for the past five fiscal years. (See page V-10.)

Fiscal Year	Endowment Market Value
1994	$470,937,801
1993	476,355,976
1992	480,241,987
1991	394,618,267
1990	320,126,685

Gifts and Grants

Gifts and grants revenues, exclusive of distributions from the Wallace Fund, received by fund for the past five years as reported in the annual financial statements of the College have been:

Year Ended	Current Funds		Loan	Endowment	Deferred	Plant
May 31	Unrestricted	Restricted	Funds	Funds	Gift Funds	Funds
1990	$2,201,282	$1,039,852	---	$ 478,598	$ 90,571	$422,069
1991	2,186,969	1,239,971	---	2,623,477	1,232,121	799,598
1992	2,146,526	1,276,718	---	1,277,216	8,151	416,977
1993	1,690,528	1,366,782	$20	1,925,698	130,107	437,836
1994	1,484,167	835,193	---	313,891	463,556	164,614

Financial Statements

The College's fiscal year ends on May 31 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting. Appendix V sets forth the financial statements of the College for the year ended May 31, 1994, which statements have been examined by KPMG Peat Marwick. KPMG Peat Marwick expresses no opinion on the contents this Official Statement.

Budget Stabilization

Since 1985, the College has maintained a designated fund balance of $1,203,813 within the Unrestricted Current Fund as an income stabilization fund for the purpose of providing a budget balancing reserve for future years. The College intends to continue such a practice.

Summaries of Current Funds Revenues, Expenditures and Other Changes

The following two tables set forth summaries of revenues, expenditures and other changes for the College's Unrestricted Current Fund, and the total Unrestricted and Restricted Current Funds for the past five Fiscal Years. These tables should be read in conjunction with the financial statements found in Appendix V.

MACALESTER COLLEGE
SUMMARY STATEMENT OF UNRESTRICTED CURRENT FUND
REVENUES, EXPENDITURES AND OTHER CHANGES

For the Years Ended May 31,

	1990	1991	1992	1993	1994
REVENUES:					
Tuition and fees	$20,616,943	$22,189,320	$23,548,465	$24,516,708	$26,303,292
Private Gifts, Grants and Contracts	2,201,282	2,186,969	2,146,526	1,690,528	1,484,167
Endowment Income	619,228	661,004	801,121	621,239	938,348
Investment Income	538,446	450,144	411,128	274,004	309,497
Realized Net Gains (Losses) on Investments	(2,493)	(4,196)	(2,839)	419,935	(10,714)
Sales and Services of Aux. Enterprises	4,151,462	4,720,360	4,897,441	4,870,949	4,941,526
Other Sources	167,428	104,965	238,193	231,561	204,083
Matured Annuity	38,319	25,398	25,921	49,285	–
Total Revenue	28,330,615	30,333,964	32,065,956	32,674,209	34,170,199
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	8,288,068	9,353,374	4,848,496	4,930,509	5,583,719
Public Service	175,235	164,769	176,485	164,814	207,399
Academic Support	1,710,319	1,599,023	1,583,682	1,708,298	2,116,361
Student Services	3,143,301	3,434,460	3,319,121	3,493,243	3,836,261
Institutional Support	3,495,741	3,848,974	4,514,595	4,791,474	5,656,488
Operation and Maintenance	2,183,136	2,146,304	2,273,442	2,446,988	2,605,785
Student Aid, Scholarships and Prizes	1,861,757	1,960,400	2,657,584	1,507,865	1,615,901
Educational and General Expenditures	20,857,557	22,507,304	19,373,405	19,043,191	21,621,914
Mandatory Transfers for:					
Endowment	150,000	40,251	–	–	–
Prior Year Gift Redesignation	(14,532)	–	–	–	–
Principal and Interest	717,686	453,688	446,938	1,027,449	776,979
Total Educational and General	21,710,711	23,001,243	19,820,343	20,070,640	22,398,893
Auxiliary Enterprises					
Expenditures	3,378,182	3,802,929	3,889,470	3,785,134	3,938,358
Mandatory Transfers for					
Principal and Interest	243,209	207,120	200,328	207,163	206,652
Renewals and Replacements	38,802	38,802	38,802	38,802	38,802
Total Auxiliary Enterprises	3,660,193	4,048,851	4,128,600	4,031,099	4,183,812
Total Expenditures and Mandatory Transfers	25,370,904	27,050,094	23,948,943	24,101,739	26,582,705
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):					
Transfer to Current Restricted Fund	–	–	–	(115,000)	–
Transfers to Plant Fund	(2,171,672)	(2,242,226)	(7,004,638)	(1,025,264)	(7,098,204)
Transfers To Quasi–Endowment Funds	(1,017,203)	(1,062,005)	(1,083,197)	(7,380,779)	(361,512)
NET INCREASE (DECREASE) IN FUND BALANCE	(229,164)	(20,361)	29,178	51,427	127,778
FUND BALANCE–BEGINNING OF YEAR	1,473,256	1,244,092	1,223,731	1,252,909	1,304,336
FUND BALANCE–END OF YEAR	$1,244,092	$1,223,731	$1,252,909	$1,304,336	$1,432,114

Source: Audited financial statements of the College.

MACALESTER COLLEGE
SUMMARY STATEMENT OF UNRESTRICTED AND RESTRICTED CURRENT FUNDS
REVENUES, EXPENDITURES AND OTHER CHANGES

For the Years Ended May 31,

	1990	1991	1992	1993	1994
REVENUES:					
Tuition and fees	$20,631,674	$22,207,571	$23,576,388	$24,617,876	$26,433,352
Federal Grants and Contracts	1,342,703	1,236,413	1,363,001	1,856,506	1,604,673
State Grants and Contracts	79,905	82,075	50,759	55,618	688,847
Private Gifts, Grants and Contracts	3,388,183	3,521,491	3,369,861	2,972,226	2,539,815
Endowment Income	5,732,220	7,134,993	12,876,886	15,986,489	18,200,322
Investment Income	656,725	521,666	448,552	316,813	351,912
Realized Net Gains (Losses) on Investments	(2,493)	(4,196)	(2,839)	419,935	(10,714)
Sales and Services of Aux. Enterprises	4,158,874	4,727,279	4,902,886	4,879,055	4,949,001
Matured Life Income	38,319	25,398	25,921	49,285	–
Other Sources	277,900	211,525	381,453	463,320	372,227
Total Revenue	36,304,010	39,664,215	46,992,868	51,617,123	55,129,435
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	10,608,009	11,828,541	12,035,747	12,727,805	13,836,011
Research	506,326	379,003	482,644	541,724	527,482
Public Service	223,009	251,876	251,940	232,334	291,261
Academic Support	1,975,227	2,077,964	2,311,735	2,494,518	2,837,690
Student Services	3,687,644	4,231,481	4,368,447	4,645,231	5,191,756
Institutional Support	3,666,667	4,032,545	4,774,725	5,219,594	6,064,888
Operation and Maintenance	2,231,594	2,241,122	2,343,899	2,569,254	2,692,066
Student Aid, Scholarships and Prizes	5,902,595	6,661,350	7,662,669	9,101,893	11,049,006
Educational and General Expenditures	28,801,071	31,703,882	34,231,806	37,532,353	42,490,160
Mandatory Transfers for:					
Endowment	153,874	62,510	36,543	59,897	–
Prinicpal and Interest	717,686	453,688	446,938	1,027,449	776,979
Plant Fund	–	–	–	345,455	–
Total Educational and General	29,672,631	32,220,080	34,715,287	38,965,154	43,267,139
Auxiliary Enterprises					
Expenditures	3,389,657	3,914,343	3,921,438	3,833,534	4,029,348
Mandatory Tranfers for					
Principal and Interest	243,209	207,120	200,328	207,163	206,652
Renewals and Replacements	38,802	38,802	38,802	38,802	38,802
Total Auxiliary Enterprises	3,671,668	4,160,265	4,160,568	4,079,499	4,274,802
Total Expenditures and Mandatory Transfers	33,344,299	36,380,345	38,875,855	43,044,653	47,541,941
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):					
Excess of Restricted Additions					
Over Expenditures	793,604	2,229,044	3,135,017	1,067,573	366,384
Transfers to Plant Fund	(2,171,672)	(2,242,226)	(7,004,638)	(1,025,264)	(7,098,204)
Transfers To Quasi–Endowment Funds	(1,620,669)	(3,336,419)	(3,877,547)	(8,354,687)	(833,129)
NET INCREASE (DECREASE) IN FUND BALANCES	(39,026)	(65,731)	369,845	260,092	22,545
FUND BALANCES–BEGINNING OF YEAR	4,685,584	4,646,558	4,580,827	4,950,672	5,210,764
FUND BALANCES–END OF YEAR	$4,646,558	$4,580,827	$4,950,672	$5,210,764	$5,233,309

Source: Audited financial statements of the College.

Long-Term Debt of the College

As of May 31, 1994, the College's total long-term debt outstanding, adjusted to include the Series Three-Z Bonds is $24,032,933.

1. $800,000 Macalester College Dormitory Bonds of 1956 at 2-3/4%; purchased by U.S. Department of Housing and Urban Development; final maturity due November 1, 1996; $97,000 is outstanding. The bonds are secured by mortgage liens on and a security interest in the revenues of four residence halls.

2. $2,850,000 Macalester College Dormitory Bonds of 1962 at 3-3/8%; purchased by U.S. Department of Housing and Urban Development; final maturity due May 1, 2002; $930,000 is outstanding. The bonds are secured by mortgage liens on and a security interest in revenues of three residence halls and the dining room facilities; the College is required to annually transfer $30,000 to a repair and replacement reserve.

3. Two College Housing Program loans purchased by the U.S. Department of Housing and Urban Development. The first of such loans, obtained in 1979, was in the original principal amount of $198,200 and is secured by a pledge of the gross revenues of Macalester College Stadium (the "Stadium") and a mortgage on the Stadium, the furniture, furnishings and equipment therein and a portion of the track and field facilities to be included in the project. The second of such loans, obtained in August of 1980, was in the original principal amount of $682,000 and is secured by a second mortgage on the same mortgaged property and a pledge of the first $36,879.15 of revenues derived from annual student tuition. The principal balance outstanding at May 31, 1994 under both loans is $675,933. Both loans bear interest at 3% annum, and the aggregate annual debt service for both loans is $38,044.00.

4. $15,670,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-J (Macalester College), dated June 1, 1992, at 6.33% average interest rate; final maturity due March 1, 2022. The Series Three-J Bonds are secured by the full faith and credit of the College and a debt service reserve of $1,300,120. $15,670,000 is outstanding.

5. The Bonds.

Annual Debt Service By Fiscal Year and Coverage Statement

The table on page I-16 sets forth the principal and estimated debt service on the Bonds and debt service on the College's currently outstanding long-term debt for each fiscal year during the term of the Bonds. Column 5 shows coverage of such annual debt service by the amount of College revenue that was available for debt service from the Unrestricted Current Fund for the year ended May 31, 1994, as further detailed in footnote (b) of the table. Actual long-term debt of the College is expected to increase in the future as additional capital projects are undertaken.

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

ANNUAL DEBT SERVICE BY FISCAL YEAR AND COVERAGE STATEMENT

FISCAL YEAR ENDING MAY 31	DEBT SERVICE ON THE BONDS(a)	EXISTING LONG TERM DEBT SERVICE	COMBINED LONG TERM DEBT SERVICE	UCF AMOUNT AVAILABLE FOR DEBT SERVICE(b)	COVERAGE (times)
1995	$200,780	$1,184,538	$1,385,318	$8,571,125	6.19
1996	491,560	1,190,282	1,681,842	8,571,125	5.10
1997	497,690	1,362,800	1,860,490	8,571,125	4.61
1998	498,190	1,335,324	1,833,514	8,571,125	4.67
1999	498,255	1,331,376	1,829,631	8,571,125	4.68
2000	497,755	1,331,796	1,829,551	8,571,125	4.68
2001	501,890	1,330,986	1,832,876	8,571,125	4.68
2002	500,328	1,334,342	1,834,670	8,571,125	4.67
2003	498,308	1,331,324	1,829,632	8,571,125	4.68
2004	500,883	1,333,904	1,834,787	8,571,125	4.67
2005	497,763	1,334,604	1,832,367	8,571,125	4.68
2006	499,213	1,333,374	1,832,587	8,571,125	4.68
2007	499,933	1,335,164	1,835,097	8,571,125	4.67
2008	499,903	1,334,610	1,834,513	8,571,125	4.67
2009	499,103	1,332,164	1,831,267	8,571,125	4.68
2010	497,608	1,332,830	1,830,438	8,571,125	4.68
2011	500,408	1,331,290	1,831,698	8,571,125	4.68
2012	497,293	1,337,544	1,834,837	8,571,125	4.67
2013	498,230	1,335,964	1,834,194	8,571,125	4.67
2014	498,230	1,331,864	1,830,094	8,571,125	4.68
2015	497,293	1,335,244	1,832,537	8,571,125	4.68
2106	500,418	1,334,684	1,835,102	8,571,125	4.67
2017	497,293	1,330,924	1,828,217	8,571,125	4.69
2018	498,230	1,333,964	1,832,194	8,571,125	4.68
2019	497,918	1,339,045	1,836,963	8,571,125	4.67
2020	501,355	1,316,278	1,817,633	8,571,125	4.72
2021	498,045	1,296,360	1,794,405	8,571,125	4.78
2022	498,475	1,298,080	1,796,555	8,571,125	4.77
2023	497,330	0	497,330	8,571,125	17.23
2024	499,610	0	499,610	8,571,125	17.16
Totals	$14,659,283	$36,990,659	$51,649,942		

(a) The Bonds will initially be in a variable rate mode, with all Bonds maturing March 1, 2024. The above estimate of debt service for the Bonds assumes an average interest rate of 6.19% per annum, the rate the College, upon advice of its financial advisor, assumes it would be able to refinance the Bonds on a fixed-rate tax-exempt basis (as of the date of this Official Statement), assuming a level amortization over the term of the Bonds and no change in the College's current credit rating. Investors are cautioned that the data presented overstates the principal amortization of the Bonds in every year prior to 2024 at which time the entire principal amount thereof becomes due in a single balloon payment. See "RISK FACTORS", herein.

(b) Amount available for Debt Service (Unrestricted Current Fund), based on Fiscal Year 1993-94 financial information of the College:

Unrestricted Current Fund ("UCF") Revenues:	$34,170,199
Less UCF Expenditures & Mandatory Transfers:	26,582,705
Excess of UCF Revenues over UCF Expenditures and Mandatory Transfers:	$7,587,494
Add: Mandatory Transfers for Debt Service:	983,631
Amount Available for Debt Service:	$8,571,125

(This page was left blank intentionally.)

APPENDIX II

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON
2200 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
612/336-3000
FACSIMILE 612/336-3026

$6,660,000
Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Three-Z
(Macalester College)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book entry only) Variable Rate Demand Revenue Bonds, Series Three-Z (Macalester College), in the aggregate principal amount of $6,660,000 dated September 14, 1994 (the "Bonds") and maturing on March 1, 2024. The Bonds are issued for the purpose of funding a loan from the Authority to Macalester College (the "College"), a Minnesota nonprofit corporation and institution of higher education located in the City of St. Paul, Minnesota, in order to finance the costs of a project consisting of the acquisition, construction, improvement and equipping of certain college facilities all owned and operated by the College and located on its main campus in St. Paul, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and First Trust National Association, in St. Paul, Minnesota, as Trustee (the "Trustee"), each dated as of September 1, 1994, the opinions of Moore, Costello & Hart, St. Paul, Minnesota, as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Moore, Costello & Hart, as to the Loan Agreement having been duly authorized and executed and being binding upon the College and enforceable in accordance with their terms and as to the corporate organization, tax-exempt status, good standing and powers of the College, and as to title to the Project Site (as defined in the Loan Agreement and Indenture), without examining the records of the College or original title records or abstracts of title.

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

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

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

2. The Loan Agreement and the Indenture are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture.

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

investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated at Minneapolis, Minnesota, September ____, 1994.

MFF13EA3.WP5

(This page was left blank intentionally.)

APPENDIX III

DEFINITION OF CERTAIN TERMS

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

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the 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.

Authorized Institution Representative: The President, Treasurer of the College 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 the President or the Treasurer of the College. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described in Section 8.04 thereof.

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

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

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

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

Bond Resolution: The Series Resolution of the Authority adopted on August 24, 1994, authorizing the Series Three-Z Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-Z (Macalester College).

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.

Business Day: (i) When Bonds bear interest at a Variable Rate, any day other than a day on which banking institutions located in the City of New York or in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal offices of the Remarketing Agent are located are required or authorized by law to remain closed or other than a day on which the New York Stock Exchange is closed, and (ii) when Bonds bear interest at a Fixed Rate, any day other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are not required or authorized by law to remain closed.

College or Institution: Macalester College, a Minnesota nonprofit corporation and institution of higher education, its successors and assigns.

College Bond: Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by the College or the Authority or the Trustee or an agent of the Trustee for the account of the College or the Authority or (ii) with respect to which the College or the Authority has notified the Trustee, or which the Trustee actually knows, were purchased by another person for the account of the College or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the College or the Authority.

Computation Date: The date on which the Fixed Rate is to be announced in the case of conversion to Fixed Rate, which shall be the thirteenth day (or if such day is not a Business Day, the preceding Business Day) immediately preceding the Conversion Date.

Construction Account: The account established under the Indenture for the deposit of certain Bond proceeds and other funds to be used for the payment of Project Costs.

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

Custodian: Any custody agent who holds assets of the College and has entered into an Agreement with Custodian as to Purchase Price, initially First Trust National Association.

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

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

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

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

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

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

Fixed Rate Interest Payment Date: The first March 1 or September 1 occurring at least 90 days after the Conversion Date, and each March 1 and September 1 thereafter prior to the last Maturity of the Bonds, and the date of such Maturity.

Fixed Rate Period: The period from and including the Conversion Date to and including the date of the last Maturity of the Bonds.

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

Government Obligations: (a) direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America, (b) repurchase agreements or similar financial transactions with parties rated "A" or better by the Rating Agency, the payment of principal of and interest on which are fully secured by obligations of the type described in clause (a) or (c) of this definition, which collateral (i) is held by the Trustee during the term of the instrument which such collateral secures, (ii) is not subject to liens or claims of any third parties and (iii) has a market value (determined monthly) equal to at least 102% of the amount so invested, (c) bonds, notes or other debt obligations rated in the highest rating category by the Rating Agency issued by a State or a political subdivision or municipal corporation thereof which are payable in whole from an escrow or similar fund or account containing only cash and/or obligations of the type described in clause (a) above, and (d) certificates or other evidence of ownership of principal to be paid or interest to accrue on a pool of securities of the type described in clause (a) above, which securities are rated in the highest rating category by the Rating Agency and are held in the custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian.

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

Indenture: The Trust Indenture between the Authority and First Trust National Association, St. Paul, Minnesota, as Trustee, dated as of September 1, 1994, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Indexing Agent: An Indexing Agent appointed pursuant to the Indenture, until a successor Indexing Agent is appointed pursuant to the Indenture, and thereafter Indexing Agent means such successor.

Initial Rate: The rate applicable to the Bonds from the Issue Date to and including September 20, 1994.

Institution: The College.

Interest Accrual Period or Interest Period: The period from and including an Interest Payment Date to and including the day next preceding the next Interest Payment Date, except that the first Interest Period shall be the Weekly Reset/Put Mode from and including the Issue Date to and including September 20, 1994.

Interest Index: The rate determined by multiplying 1.14 minus the higher of the maximum marginal federal tax rate for individuals or corporations by the bond equivalent yield on the United States Treasury obligations maturing closest to the Rate Adjustment Date next following the immediately succeeding Rate Adjustment Date or the Stated Maturity, if no further Rate Adjustment Dates will occur, as such yield and maturity date is published in the Wall Street Journal, or, if not then published, in an equivalent financial journal, on the date six days before (or the next succeeding Business Day, if such date is not a Business Day) the Rate Adjustment Date or the Stated Maturity, as applicable.

Interest Mode: A Weekly Reset/Put Mode, a Short Monthly Mode or a Long Monthly Mode.

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

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

Issue: The Bonds.

Issue Date: The date on which the Series Three-Z Bonds are delivered to the Underwriter thereof upon original issuance.

Liquidity Covenant: The agreement between the Authority and the College under the Loan Agreement that the College provide funds necessary to make timely payment of the Purchase Price of the Bonds to the extent other funds are not available.

Loan Agreement: The Loan Agreement between the Authority and the College dated as of September 1, 1994, as amended or supplemented from time to time.

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

Long Monthly Mode: An Interest Mode established pursuant to the Indenture and during which Mode the Bonds bear interest at rates established in accordance with the Indenture for Long Monthly Periods and are subject to mandatory tenders pursuant to the Indenture.

Long Monthly Period: The period beginning on a Rate Adjustment Date and ending on the day preceding a subsequent Interest Payment Date with respect to Bonds in the Long Monthly Mode and having a duration of thirteen or more months designated in accordance with the Indenture.

Mandatory Tender Date: The meaning assigned thereto in "THE BONDS - Mandatory Tender," herein.

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

Maximum Rate: The maximum rate, 15% per annum, borne by the Bonds before the Conversion Date.

Mode Change Date: Any date on which, pursuant to the Indenture, there is a change from one Interest Mode to a different Interest Mode for the Bonds.

Optional Tender Date: The meaning assigned thereto in "THE BONDS - Optional Tender," herein.

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 Exhibit C to the Loan Agreement.

Project: The Project consists of (a) acquisition of land and road and athletic field improvement thereon, (b) acquisition and installation of a cooling tower for air conditioning at Janet Wallace Fine Arts Center, (c) roof replacement at Janet Wallace Fine Arts Center, Dupre Hall, Olin Hall and Rice Hall, and (d) improvement to and new equipment for Kirk Hall, all owned or to be owned and operated by the College and located on the main campus of the College in St. Paul, Minnesota.

Project Buildings: Janet Wallace Fine Arts Center, Dupre Hall, Olin Hall, Rice Hall and Kirk Hall.

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

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

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

Project Site: The land on which the Project Buildings are to be located or otherwise to be improved as part of the Project, described in the Loan Agreement.

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

Rate Adjustment Date: The date as of which any change in the Variable Rate becomes effective, which shall be (i) as to any Weekly Reset/Put Mode, Wednesday of each week, except as to any Weekly Reset/Put Mode which begins on a Mode Change Date, in which case, the Rate Adjustment Date shall be the Mode Change Date, (ii) as to any Short Monthly Mode, the first day of each Short Monthly Period, and (iii) as to any Long Monthly Mode, the first day of each Long Monthly Period.

Rate Determination Date: (i) As to a Weekly Reset/Put Mode, the Tuesday preceding the Rate Adjustment Date (or the preceding Business Day if such Tuesday is not a Business Day), (ii) as to a Short Monthly Mode, the Business Day before the Rate Adjustment Date and (iii) as to a Long Monthly Mode, the thirteenth day preceding a Rate Adjustment Date (or the preceding Business Day if such day is not a Business Day).

Rate Period: The Weekly Rate Period, the Short Monthly Period or the Long Monthly Period, as the case may be.

Rating Agency: Moody's, if the Bonds are then rated by Moody's and any other rating agency, if the Bonds are then rated by such other rating agency.

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

Record Date: (i) with respect to each Variable Rate Interest Payment Date for Bonds in the Weekly Reset/Put Mode, the Business Day next preceding such Variable Rate Interest Payment Date, (ii) with respect to each Variable Rate Interest Payment Date for Bonds in either the Short Monthly Mode or the Long Monthly Mode and each Fixed Rate Interest Payment Date, the 15th day of the calendar month next preceding such Variable Rate Interest Payment Date or Fixed Rate Interest Payment Date, as the case may be, regardless of whether such day is a Business Day.

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

Remarketing Agent: Dain Bosworth Incorporated, or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

Remarketing Agreement: The Remarketing Agreement dated September 1, 1994 between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

Reserve Account: The Reserve Account established under the Indenture.

Series Three-Z Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-Z (Macalester College).

Short Monthly Mode: An Interest Mode established pursuant to the Indenture and during which Mode such Bonds bear interest at rates established in accordance with the Indenture for Short Monthly Periods and are subject to optional and mandatory tenders pursuant to the Indenture.

Short Monthly Period: The period beginning on a Rate Adjustment Date and ending on the day preceding a subsequent Interest Payment Date with respect to Bonds in the Short Monthly Mode and having a duration of one or more months, but not exceeding twelve months, designated in accordance with the Indenture.

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

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

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

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

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

Trustee, Registrar, Paying Agent: First Trust National Association, St. Paul, Minnesota.

Variable Rate: The variable interest rate established in accordance with the Indenture, with respect to any Bond in a Weekly Reset/Put Mode, a Short Monthly Mode or a Long Monthly Mode.

Variable Rate Interest Payment Date: (i) during a Weekly Reset/Put Mode, the first Business Day of each calendar month; (ii) during a Short Monthly Mode, the first Business Day of each calendar month; (iii) during a Long Monthly Mode, the first March 1 or September 1 at least 90 days after the Mode Change Date and each March 1 and September 1 thereafter; and (iv) each Mandatory Tender Date.

Variable Rate Period: The period during which such Bonds bear interest at a Variable Rate.

Weekly Rate Period: The period between Rate Adjustment Dates, with respect to Bonds in the Weekly Reset/Put Mode, which begins on Wednesday of any week or on a Mode Change Date and ends on the following Tuesday or on a Mode Change Date.

Weekly Reset/Put Mode: An Interest Mode established pursuant to the Indenture and during which Mode such Bonds bear interest at weekly rates established in accordance with the Indenture for Weekly Rate Periods and are subject to optional and mandatory tenders.

(This page was left blank intentionally.)

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than February 15, 1995 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 shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effects is furnished. The College may, without consent of the Authority, prior to the Completion Date, delete any component of the Project so long as (i) notice is filed with the Authority, (ii) the College can make certain representations regarding the economic life and the useful life of the Project, and (iii) the balance of estimated Project Costs exceed the sums, together with investment earnings thereon, held in the Construction Fund. A component of the Project so deleted shall be deemed deleted from the definition of Project upon filing of the notice with the Authority as described in the preceding sentence. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds in the Construction Account.

Loan Repayments

Under the Loan Agreement, the College agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest 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 in the following amounts:

(a) Into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding Interest Payment Date and the amount payable as principal on the Bonds on the next succeeding principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits for amounts transferred under Sections 5.04, 5.07, 8.02, 8.03 and 8.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and

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

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

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

The College shall also pay to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however that there shall be credited against such obligations the moneys made available from remarketing of the Bonds.

Use of Project Facilities

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

Maintenance of Project Facilities

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

Title to Property and Liens

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

Taxes and Other Governmental Charges

The College will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the College, or the Project Facilities or any improvements, equipment or related property installed or bought 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 charges and may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the 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 shall be paid promptly.

Insurance

The College is required to maintain, or cause to be maintained, insurance, with certain deductible amounts, as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Building.

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000 and against liability for property damage in the minimum amount for each occurrence of $100,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

Upon the written request of the College, the Trustee (i) 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 such coverage, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, in accordance with the recommendation of an independent insurance consultant employed by the College and satisfactory to the Trustee.

The College is required to furnish to the Trustee policies or certificates or binders evidencing the required insurance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the College and the Trustee at least thirty days before the cancellation or modification becomes effective.

Removal or Release 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 upon the following conditions:

(a) the College may substitute furnishings, equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance 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 any item of equipment so removed was less than $25,000, such removal without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent Engineer upon such showing by the 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), (b), and (c) above, if the depreciated book value of the Project Equipment or Building Equipment to be substituted, removed or released equals or exceeds $25,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the removal of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Indemnification

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

The 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.

Existence and Accreditation of College and Institution

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the College in the Loan Agreement and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the Institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

$150,000,000 Limitation on Outstanding Non-Hospital Bonds

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to cause the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, to exceed $150,000,000 and thereby adversely affect the tax-exempt status of the Bonds.

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.

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest payable on the Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall be subject to mandatory redemption, as a whole, on the next practicable Interest Payment Date and the redemption price therefor shall be equal to par plus accrued interest.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority, the Trustee and the Underwriter; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the

Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the 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 Section 7.01 of the Loan Agreement:

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

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

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

(d) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee unless the Trustee shall agree in writing to an extension of such time prior to its expiration for such longer period as may be reasonably necessary to remedy such default so long as the College is proceeding with reasonable diligence to remedy the same; or

(e) 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

(f) If a court of competent jurisdiction shall enter 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 shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or

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

(h) If the College fails to pay when due the amount of any Purchase Price required to be paid under the Loan Agreement.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College.

Remedies on Default

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

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

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

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Bonds as provided in Section 10.05 of 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 Trust Indenture (the "Indenture"). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, contained herein.

Granting Clauses

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

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

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

(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 in behalf of them or with their written consent, to the Trustee.

Accounts

Bond proceeds, revenues and other funds derived under the Loan Agreement or Indenture shall be deposited into accounts held by the Trustee as described in "ACCOUNTS," contained in the body of this Official Statement.

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have 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 shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

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

Remedies

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

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

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the reference rate of First Bank National Association, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its 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 capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by the Authority, at the direction of the College, provided that no 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.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided: First for the equal benefit of the Holders of all Bonds outstanding (other than College Bonds) and Second for the benefit of the Holders of the College Bonds.

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

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

Defeasance

If the Authority and the College shall:

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

(b) on or after the Conversion Date, provide for the payment of principal, premium, if any, and interest on the Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all such series of Bonds outstanding, or

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

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

and shall also pay all other sums due and payable under the Indenture by the Authority, and shall also pay or provide for the payment of all unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the

Internal Revenue Code and regulations thereunder, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such series of Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of such Bonds), which shall then be held thereunder.

When the Authority or the College shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of or obligations fully guaranteed by the United States of America or evidence of ownership of principal or interest payable from a pool of such 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 shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

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

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

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

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

(e) to modify the Indenture as authorized by Holders or in order to convert to a Fixed Rate.

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

provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

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

Amendments to the Loan Agreement

The Authority and the College with the consent of the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, (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, or (d) to conform the Loan Agreement to the supplement to the Indenture in connection with a conversion to a Fixed Rate.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 65% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Tender Agent shall not be effective without the written consent of the party so affected.

Registration

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee.

(This page was left blank intentionally.)

APPENDIX V

MACALESTER COLLEGE

Financial Statements

May 31, 1994

KPMG Peat Marwick

Certified Public Accountants

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Trustees
Macalester College:

We have audited the accompanying balance sheet of Macalester College (the College) as of May 31, 1994 and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of May 31, 1994, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick LLP

August 12, 1994

Balance Sheet
May 31, 1994
with comparative figures at May 31, 1993

Assets		1994	1993
Current funds:			
Cash and cash equivalents	$	6,826,746	11,336,664
Notes and accounts receivable, net of allowance for doubtful receivables of $176,253 ($138,600 in 1993)		1,557,945	2,087,937
Accrued investment income		2,096,379	2,159,922
Prepaid expenses		283,282	196,227
Due from plant fund (note 7)		2,299,643	2,682,232
Total Current funds	$	13,063,995	18,462,982
Loan funds:			
Cash and cash equivalents	$	449,511	185,303
Investment in intermediate cash fund, at cost which approximates market		1,643,541	1,555,617
Notes and accounts receivable, net of allowance for doubtful receivables of $480,384 ($458,196 in 1993)		3,141,437	3,119,312
Accrued investment income		15,909	15,068
Total Loan funds	$	5,250,398	4,875,300
High Winds fund (note 8):			
Real estate contracts & accounts receivable	$	120,616	130,479
Real estate, at cost		2,357,452	2,674,043
Due from plant fund		1,340,000	-
Due from other funds		53,753	306,532
Total High Winds fund	$	3,871,821	3,111,054
Endowment and similar funds:			
Cash and cash equivalents	$	-	50,337
Investments, at cost (note 3)		110,676,733	96,026,471
Accrued investment income		58,161	26,323
Due from other funds		503,416	5,473,188
Net assets owned by DeWitt Wallace Fund for Macalester College (note 3)		262,145,139	262,145,139
Total Endowment and similar funds	$	373,383,449	363,721,458
Plant funds (note 7):			
Cash and cash equivalents	$	186,890	122,332
Investments in U.S. Government securities, at cost which approximates market		1,812,591	3,150,607
Investment property		30,000	30,000
Other receivables		43,751	10,815
Debt financing costs		366,002	368,732
Due from other funds		1,268,364	1,029,637
Investment in plant:			
Land and land improvements		1,224,111	1,224,111
Buildings		72,654,943	65,784,201
Furniture and equipment		1,557,229	1,446,692
Accumulated depreciation		(15,954,806)	(14,214,272)
Total net investment in plant		59,481,477	54,240,732
Total Plant funds	$	63,189,075	58,952,855

Liabilities and Fund Balances		1994	1993
Current funds:			
Accounts payable and accrued expenses	$	6,002,073	6,310,625
Student deposits		236,934	237,662
Due to other funds		1,591,679	6,703,931
Funds balances:			
Unrestricted:			
Undesignated		228,301	100,523
Designated		1,203,813	1,203,813
Restricted		3,801,195	3,906,428
Total fund balances		5,233,309	5,210,764
Total Current funds	$	13,063,995	18,462,982
Loan funds:			
Due to other funds	$	233,854	105,426
Fund balances - restricted:			
U.S. Government grants refundable		2,505,695	2,375,363
College funds		2,510,849	2,394,511
Total fund balances		5,016,544	4,769,874
Total Loan funds	$	5,250,398	4,875,300
High Winds fund (note 8):			
Rental deposits	$	4,215	9,923
Fund balance - restricted		3,867,606	3,101,131
Total High Winds fund	$	3,871,821	3,111,054
Endowment and similar funds:			
Contracts and other payables	$	831,527	375,600
Fund balances:			
DeWitt Wallace Fund for Macalester College (note 2)		262,145,139	262,145,139
Macalester College:			
Endowment and term endowment		77,847,511	70,344,525
Quasi-endowment:			
Unrestricted		17,835,430	16,618,740
Restricted		8,055,282	7,583,665
Annuity		839,769	808,948
Life Income		5,828,791	5,844,841
Subtotal-Macalester College		110,406,783	101,200,719
Total combined fund balances		372,551,922	363,345,858
Total Endowment and similar funds	$	373,383,449	363,721,458
Plant funds (note 7):			
Accounts payable and accrued expenses	$	-	12,500
Due to current funds		2,299,643	2,682,232
Due to High Winds fund		1,340,000	-
Bonds, mortgages and note payable		17,363,933	17,512,303
Accrued interest payable		251,342	251,342
Fund balances:			
Unrestricted - unexpended		4,744,251	775,467
Restricted - unexpended:			
Donor		104,597	285,777
Debt reserve		712,599	649,106
Net investment in plant		36,372,710	36,784,128
Total fund balances		41,934,157	38,494,478
Total Plant funds	$	63,189,075	58,952,855

See accompanying notes to financial statements.

Statement of Changes in Fund Balances
Year ended May 31, 1994

	Current Funds					Endowment Funds					Plant Funds		
	Unrestricted Undesignated	Unrestricted Designated	Restricted	Loan Funds	High Winds Fund	True and Term	Quasi	DeWitt Wallace Fund for Macalester College	Annuity Funds	Life Income Funds	Unexpended Unrestricted	Unexpended Restricted	Net Investment in Plant
Revenue and other additions:													
Unrestricted current fund revenues	$ 34,170,199	-	-	-	-	-	-	-	-	-	-	-	-
Federal grants and contracts - restricted	-	-	1,371,240	157,416	-	-	-	-	-	-	-	-	-
State grants and contracts	-	-	688,847	-	-	-	-	-	-	-	-	-	-
Private gifts, grants and contracts - restricted	-	-	835,193	-	-	313,891	-	-	463,556	-	-	164,614	-
Endowment income - restricted	-	-	18,082,246	3,288	-	890,000	-	-	-	-	-	16,595	-
Sales and service of auxiliary enterprises - restricted	-	-	7,475	-	375,417	-	-	-	-	-	-	-	-
Other sources	-	-	298,204	4,561	4,175	-	-	-	-	-	505	17,200	-
Investment income - restricted	-	-	42,415	94,346	64,665	-	-	-	69,017	409,490	-	156,780	-
Realized gains on investments - restricted	-	-	-	-	808,289	6,264,662	846,416	-	7,661	10,155	-	-	-
Interest on loans receivable - restricted	-	-	-	89,650	9,840	-	-	-	-	-	-	-	-
Expended for plant facilities (including $42,288 charged to current funds)	-	-	-	-	-	-	-	-	-	-	-	-	884,156
Retirement of indebtedness	-	-	-	-	-	-	-	-	-	-	-	-	444,960
Matured annuity funds	-	-	-	-	-	8,032	-	-	-	-	-	-	-
Total revenues and other additions	$ 34,170,199	0	21,325,620	349,261	1,262,386	7,476,585	846,416	0	540,234	419,645	505	355,189	1,329,116
Expenditures and other deductions:													
Educational and general	$ 21,621,914	-	20,868,246	-	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	3,938,358	-	90,990	-	495,911	-	-	-	-	-	-	-	-
Loan cancellations	-	-	-	5,972	-	-	-	-	-	-	-	-	-
Administrative and collection costs	-	-	-	96,619	-	-	-	-	-	41,698	35,360	-	-
Expended for plant facilities	-	-	-	-	-	-	-	-	-	-	2,570,802	344,427	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	1,740,534
Paid to beneficiaries	-	-	-	-	-	-	-	-	501,381	393,997	-	-	-
Matured annuity funds	-	-	-	-	-	-	-	-	8,032	-	-	-	-
Interest on indebtedness	-	-	-	-	-	-	-	-	-	-	165,471	967,349	-
Retirment of indebtedness	-	-	-	-	-	-	-	-	-	-	358,292	148,370	-
Total expenditures and other deductions	$ 25,560,272	0	20,959,236	102,591	495,911	0	0	0	509,413	435,695	3,129,925	1,460,146	1,740,534
Transfers among funds - additions (deductions):													
Mandatory:													
To plant:													
Principal and interest	$ (983,631)	-	-	-	-	-	-	-	-	-	-	983,631	-
Renewals and replacements	(38,802)	-	-	-	-	-	-	-	-	-	-	38,802	-
Nonmandatory:													
Capital improvements	(7,098,204)	-	-	-	-	-	-	-	-	-	7,098,204	-	-
To quasi-endowment (note 5)	(361,512)	-	(471,617)	-	-	26,401	841,891	-	-	-	-	(35,163)	-
Total transfers	$ (8,482,149)	0	(471,617)	0	0	26,401	841,891	0	0	0	7,098,204	987,270	0
Net increase (decrease) for the year	$ 127,778	0	(105,233)	246,670	766,475	7,502,986	1,688,307	0	30,821	(16,050)	3,968,784	(117,687)	(411,418)
Fund balances at beginning of year	$ 100,523	1,203,813	3,906,428	4,769,874	3,101,131	70,344,525	24,202,405	262,145,139	808,948	5,844,841	775,467	934,883	36,784,128
Fund balances at end of year	$ 228,301	1,203,813	3,801,195	5,016,544	3,867,606	77,847,511	25,890,712	262,145,139	839,769	5,828,791	4,744,251	817,196	36,372,710

See accompanying notes to financial statements.

Statement of Current Funds Revenues, Expenditures and Other Changes
Year ended May 31, 1994
with comparative figures for the year ended May 31, 1993

	1994				
	Unrestricted				1993
	Undesignated	Designated	Restricted	Total	Total
Revenues:					
Tuition and fees (note 7)	$ 26,303,292	-	130,060	26,433,352	24,617,876
Federal grants and contracts	-	-	1,604,673	1,604,673	1,856,506
State grants and contracts	-	-	688,847	688,847	680,476
Private gifts, grants and contracts	1,484,167	-	1,055,648	2,539,815	2,972,226
Endowment income	938,348	-	17,261,974	18,200,322	15,986,489
Investment income	309,497	-	42,415	351,912	316,813
Realized net gains (losses) on investments	(10,714)	-	-	(10,714)	419,935
Sales and services of auxiliary enterprises	4,941,526	-	7,475	4,949,001	4,879,055
Other sources	204,083	-	168,144	372,227	463,320
Matured life income	-	-	-	-	49,285
Total revenues	34,170,199	-	20,959,236	55,129,435	52,241,981
Expenditures and mandatory transfers:					
Educational and general:					
Instruction	5,583,719	-	8,252,292	13,836,011	12,727,805
Research	-	-	527,482	527,482	541,724
Public service	207,399	-	83,862	291,261	232,334
Academic support	2,116,361	-	721,329	2,837,690	2,494,518
Student services	3,836,261	-	1,355,495	5,191,756	4,645,231
Institutional support	5,656,488	-	408,400	6,064,888	5,219,594
Operation and maintenance of plant	2,605,785	-	86,281	2,692,066	2,569,254
Student aid, scholarships and prizes	1,615,901	-	9,433,105	11,049,006	9,726,751
Educational and general expenditures	21,621,914	-	20,868,246	42,490,160	38,157,211
Mandatory transfers for:					
Endowment	-	-	-	-	59,897
Principal and interest	776,979	-	-	776,979	1,027,449
Plant fund	-	-	-	-	345,455
Total educational and general	22,398,893	-	20,868,246	43,267,139	39,590,012
Auxiliary enterprises:					
Expenditures	3,938,358	-	90,990	4,029,348	3,833,534
Mandatory transfer for:					
Principal and interest	206,652	-	-	206,652	207,163
Renewals and replacements	38,802	-	-	38,802	38,802
Total auxiliary enterprises	4,183,812	-	90,990	4,274,802	4,079,499
Total expenditures & mandatory transfers	26,582,705	-	20,959,236	47,541,941	43,669,511
Other transfers and additions (deductions):					
Excess of restricted additions over expenditures	-	-	366,384	366,384	1,067,573
Transfers to plant funds	(7,098,204)	-	-	(7,098,204)	(1,025,264)
Transfers to quasi-endowment funds	(361,512)	-	(471,617)	(833,129)	(8,354,687)
Net increase (decrease) in fund balance	$ 127,778	0	(105,233)	22,545	260,092

See accompanying notes to financial statements.

MACALESTER COLLEGE

Notes to Financial Statements

May 31, 1994

(1) Summary of Significant Accounting Policies

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

Accrual Basis

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

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

Fund Accounting

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

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

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Term endowment funds are similar to endowment funds except that, upon the passage of a stated period of time, or the happening of a particular event, all or a part of the principal may be expended. Quasi-endowment funds have been established by the governing board for the same purpose as endowment funds; however, any portion of quasi-endowment funds may be utilized.

(1) Summary of Significant Accounting Policies, Continued

Fund Accounting, Continued

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

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

Designated Fund

The Board of Trustees of the College has designated $1,203,813 of current unrestricted funds as an income stabilization fund which is intended to provide a spending reserve for future time periods.

Investment in Plant

Land, buildings and equipment are stated at cost at date of acquisition or fair market value at date of gift.

Accounting for Depreciation

The College has adopted the provisions of Statement of Financial Accounting Standards no. 93 (SFAS no. 93), Recognition of Depreciation by Not-for-Profit Organizations, which requires the recording of depreciation of long-lived tangible assets.

The College depreciates on a straight-line basis with no salvage value. Buildings and improvements are depreciated over a 40 year life (existing buildings over 40 years plus age of building at May 31, 1990) and equipment over a 5 year life.

(1) Summary of Significant Accounting Policies, Continued

Federal Income Taxes

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

Reclassification

Certain amounts in the 1993 financial statements have been reclassified to conform to the 1994 presentation. These changes had no effect on fund balances.

(2) DeWitt Wallace Fund for Macalester College

The DeWitt Wallace Fund for Macalester College (the Fund) was established for the benefit of the College in 1980. It is governed by an independent Board of Directors, two of whom are representatives of the Reader's Digest Association, Inc., two of whom are the representatives of the College, and two of whom are independent directors. It is a separate New York Not-for-Profit Corporation which has been classified by the Internal Revenue Service as a supporting organization under Section 509(a)(3) and recognized as tax exempt under Section 501(c)(3).

As of May 31, 1994, the market value of the net assets of the Fund was approximately at $369,552,000 ($365,619,000 principal, and $3,933,000 of undistributed income). Income from the Fund is granted annually to support College programs as may be agreed upon by the College and the Directors of the Fund. Grants made by the Fund to the College from 1982 to 1994 total $59,905,059. This sum includes a grant of $14,120,000 for the fiscal year ended May 31, 1994.

As of May 31, 1994, $118,390,769 (at current market value) of the Fund's assets were invested in the College's pooled endowment fund. This represented 8,176,982 unitized shares of the pooled endowment fund. The College acts as an investment manager for these assets of the Fund pursuant to an agreement dated May 24, 1990.

(3) Investments - Endowments and Similar Funds (including the DeWitt Wallace Fund for Macalester College)

Investments are stated at cost, adjusted where appropriate for amortization of premiums and accrual of discounts. Investments received by gift are stated at market value at the date of acquisition. Quoted market values of investments of the endowment and similar funds at May 31, 1994 (with comparative values at May 31, 1993) were as follows:

(3) Investments - Endowments and Similar Funds (including the DeWitt Wallace Fund for Macalester College), Continued

	1994	1993
Macalester College (at market)		
Cash equivalents	$ 7,148,684	11,935,006
Common stocks	77,990,910	73,546,652
Preferred stocks	7,241,193	6,079,770
Corporate bonds	33,169,374	34,566,953
U.S. Government obligations	95,115,869	100,654,839
Real estate, private equity, other	12,047,843	3,465,236
Subtotal market	232,713,873	230,248,456
Less units of Macalester endowment held by DeWitt Wallace Fund for Macalester College	(118,390,769)	(118,228,260)
Total market	$114,323,104	112,020,196
Total cost	$110,676,733	96,026,471
DeWitt Wallace Fund for Macalester College (at market)		
Common stock	$247,228,365	255,047,334
Units in the Macalester College endowment	118,390,769	118,228,260
Total market	$365,619,134	373,275,594
Total cost	$262,145,139	262,145,139

Included in the market value of preferred stocks at May 31, 1994, is $7,241,193 relating to 88,684 shares of The Reader's Digest Association, Inc. preferred stock which is not publicly traded. Additionally, the College has agreed not to sell such shares of stock without first offering the shares to The Reader's Digest Association, Inc.

Included in the market value of common stocks of the DeWitt Wallace Fund for Macalester College at May 31, 1994, is $247,228,365 relating to 5,957,310 non-voting shares of The Reader's Digest Association, Inc.

(4) Funds Held in Trust by Others

The College is the income beneficiary of a trust with an estimated value of $8,872,000 which is controlled by independent trustees. For the year ended May 31, 1994, the College received $190,503 from this trust. Assets held in trust by others, with the College as income beneficiary or remainderman, do not appear on the financial statements of the College, until such time as the remainder interest is realized.

(5) Valuation and Performance of Endowments and Quasi-Endowment Funds, Including the DeWitt Wallace Fund for Macalester College

The majority of the assets of the endowment funds have been placed in an investment pool, on a market 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.

Since 1983, the College has followed an endowment spending policy that requires endowment income over a predetermined level (excess endowment earnings) to be transferred to quasi-endowment fund balance. Each year the Board of Trustees sets a spending rate which is used to allocate endowment income under the terms of the endowments. For the year ended May 31, 1994, a spending rate approximating 5.58% was used based upon a sixteen-quarter moving average of investment market value. Endowment income in excess of the spending rate is transferred to quasi-endowment, where it is unitized. Endowment income is shown at actual earnings on the Statement of Changes in Fund Balances.

Earnings of $530,728 in excess of the spending rate for the year ended May 31, 1994 ($59,111 of unrestricted funds and $471,617 of restricted funds) have been transferred from current funds to quasi-endowment.

Excess income of the DeWitt Wallace Fund's participation in the pooled endowment is granted annually to the College. The 1993/94 grant was $890,000, reported as endowment income in the True and Term Endowment Fund Group.

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

(6) Pledges

At May 31, 1994, the College had pledges outstanding from individuals, corporations and foundations totalling approximately $857,487. These gifts will be reflected in the financial statements of the College when received.

(7) Plant Funds

Bonds, mortgages and notes payable of the plant funds at May 31, 1994 consist of the following:

Macalester College Dormitory Bonds of 1956 2-3/4%, final series due November 1, 1996 (original amount $800,000)	$ 88,000
Macalester College Dormitory Bonds of 1962 3-3/8%, final series due May 1, 2002 (original amount $2,850,000)	930,000
College Housing Program Mortgages at 3%, due in semi-annual installments of $19,022 including interest, through 2020 (original amount $880,200)	675,933
Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds of 1992, 6.33% average, final series due 2022 (original amount $15,670,000)	15,670,000
	$17,363,933

To secure the required annual principal and interest payments on the 1962 bonds, the College has: (a) granted a mortgage lien and pledged the revenue from certain dormitories and dining room facilities (the aggregate carrying value of such pledged facilities approximated $4,347,000 at May 31, 1994) and (b) met the sinking fund requirements of the bond indentures by depositing with a trustee certain Wallace Endowment Fund securities having a carrying value of $445,115. The 1962 indenture also requires the College to transfer $30,000 annually to a repair and replacement reserve.

The College is involved in the College Housing Program of the Department of Housing and Urban Development. The funds received under this program have been used to rehabilitate student dormitories and dining areas. The mortgages under this program are secured by a lien on the College's stadium carried at approximately $652,000 and by pledges of gross stadium and tuition revenues.

In June of 1992, $15,670,000 of revenue bonds were issued on behalf of the College by the Minnesota Higher Education Facilities Authority (MHEFA). The average maturity of the issued bonds was 21 years, at an average rate of 6.33%. The bonds were secured by a pledge by MHEFA and a reserve account of $1,300,120, funded by bond sale proceeds.

(7) Plant Funds, Continued

The balance of the proceeds, net of issuance costs and issuance discounts of $372,513, were used to retire the balance of MHEFA Revenue Bonds of 1985, and to finance campus improvements totaling $9,738,169.

As of May 31, 1994, capital expenditures financed by this debt issue totaling $9,668,251 had been made.

Annual debt commitments (principal) at May 31, 1994, are as follows:

Fiscal year ending May 31,	Amount
1995	149,895
1996	160,437
1997	337,994
1998	324,568
1999	335,158
after 1999	16,055,881
	$17,363,933

In September of 1994, $6,660,000 of variable rate demand revenue bonds will be issued on behalf of the College, by the Minnesota Higher Education Facilities Authority (MHEFA). The bonds will be initially issued with a weekly maturity and rate reset, but longer maturities as well as a fixed rate are optional.

Proceeds of the issue will be used to finance various campus improvements and an athletic field expansion. Loan repayments associated with the bonds will be general obligations of the College, with interest payable monthly (semi-annual if converted to fixed), and principal payable at maturity, on March 1, 2024.

Over the past seven years the Plant fund has borrowed funds totaling $3,101,236 from Current funds to finance renovations and equipment acquisitions. These interfund loans bear interest at a rate equivalent to the average Current funds investment rate. Interest expense, as well as annual principal repayments, are recognized in the Plant fund. The principal balance on May 31, 1994 is $2,299,643. In addition to the above interfund loan, certain Plant fund construction projects carried negative cash balances on an interim basis. Interest costs were assessed, and the corresponding income recognized in the Current fund.

During the year ended May 31, 1994, the Plant fund purchased property from the High Winds fund at a total cost of $1,548,500, for an expansion of campus athletic fields. An interfund debt of $1,340,000 was established, and is payable on September 15, 1996 (see note 8).

Total interest costs on plant funds debt aggregated $1,132,820 ($167,504 due to interfund borrowing) during the year ended May 31, 1994.

(8) High Winds Fund

The High Winds fund is subject to the provisions of an agreement between the College and a major benefactor which provides, among other things, for physical segregation and administration of such funds in accordance with the provisions of such agreement. The purpose of the High Winds fund is to maintain and improve the beauty, serenity and security of the area surrounding the College campus. The High Winds fund owns 37 properties surrounding the College campus.

During the year ended May 31, 1994, 20 properties were sold to the Plant fund, for a total of $1,548,500, with $1,340,000 payable on September 15, 1996. This amount appears as an interfund debt, and is interest bearing ($1,080,000 at 7% and $260,000 at 8%). The High Winds fund realized a gain of $808,289 on this transaction.

During the year ended May 31, 1994, the High Winds fund charged current funds approximately $100,805 for use of High Winds property.

(9) Pension Plans

The College provides pension benefits to substantially all employees. Certain academic and non-academic personnel are covered under contributory plans with Teachers Insurance and Annuity Association and College Retirement Equities Fund. A plan covering union employees is funded by deposits with trustees based on a fixed rate of contribution per hour worked. The College has no liability for these pension plans once deposits are made to the administrators. The College has an unfunded pension plan which supplements retirement benefits of certain professional and staff employees not fully covered by other plans. The unfunded liability under the supplemental plan at May 31, 1994 was approximately $202,621.

Total pension expense for the year ended May 31, 1994 was $1,334,908 including $37,369 paid under the unfunded supplemental plan.

(10) Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Cash and cash equivalents
The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts receivable and accounts payable
The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt
It is not practical to estimate the fair value of other long-term debt as current borrowing rates, market assessments and credit risk analysis are not readily available.

Schedule 1

Endowment Investment Performance *
Year Ended May 31, 1994

		Pooled Funds		Nonpooled Funds		Total Endowment Funds	
		Market	Cost	Market	Cost	Market	Cost
Net assets at May 31, 1994:							
Common stock	$	72,922,305	64,390,220	247,246,762	157,137,893	320,169,067	221,528,11
Preferred stocks		7,241,193	4,497,895	-	-	7,241,193	4,497,8
Corporate bonds		30,336,870	29,061,719	-	-	30,336,870	29,061,71
U.S. Government obligations		94,031,708	91,733,567	53,943	54,245	94,085,651	91,787,81
Real estate		3,352,000	3,482,080	-	-	3,352,000	3,482,0
Other (including uninvested cash)		15,753,020	15,526,592	-	-	15,753,020	15,526,5
		223,637,096	208,692,073	247,300,705	157,192,138	470,937,801	365,884,2
Net assets at May 31, 1993		217,335,758		259,020,218		476,355,976	
Increase (decrease) in net assets		6,301,338		(11,719,513)		(5,418,175)	
Less:							
Initial market value of additions		6,166,377		(4,086,162)		2,080,215	
Net gains (losses) for year	$	134,961		(7,633,351)		(7,498,390)	
Net gains (losses) for the year consist of:							
Realized net gains	$	6,264,662		846,416		7,111,078	
Unrealized net gains (losses)		(6,129,701)		(8,479,767)		(14,609,468)	
Total net gains (losses) for year	$	134,961		(7,633,351)		(7,498,390)	
Pooled investments:							
Market value per unit, including excess endowment earnings funds:							
May 31, 1994	$	14.47					
May 31, 1993		14.45					
Net gain per unit	$	0.02					
Percent gain per unit		0.14%					
Total earnings, exclusive of gains	$	11,810,338					
Total earnings per current year average units outstanding	$	0.77					
Total earnings as a percent of average current market values		5.21%					
Total performance for year		5.35%					

* - Including the DeWitt Wallace Fund for Macalester College (note 2)

See accompanying auditors' report.