OFFICIAL STATEMENT DATED NOVEMBER 14, 1995

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

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.")

$11,245,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Four-C
(Macalester College)
(Book Entry Only)

Dated Date: November 1, 1995 **Interest Due: March 1 and September 1, commencing March 1, 1996**

$4,235,000 serial bonds to mature annually on March 1 as follows:

Year	Amount	Interest Rate	Yield or Price	Year	Amount	Interest Rate	Yield or Price
1997	$345,000	4.00%	100	2002	$430,000	4.75%	100
1998	$360,000	4.20%	100	2003	$450,000	4.85%	100
1999	$375,000	4.40%	100	2004	$475,000	4.95%	100
2000	$285,000	4.50%	100	2005	$495,000	5.00%	100
2001	$500,000	6.00%	4.60%	2006	$520,000	5.00%	5.10%

$1,120,000 5.20% Term Bonds due March 1, 2008 Price 99.098
$2,630,000 5.50% Term Bonds due March 1, 2012 Price 98.932
$3,260,000 5.55% Term Bonds due March 1, 2016 Price 98.500

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption prior to maturity, as described herein. See "The Bonds - Prior Redemption - Optional Redemption". The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. Bonds maturing March 1, 2008, 2012 and 2016 are subject to mandatory redemption in installments as described herein.

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

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

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the approval of legality by Faegre & Benson, Professional Limited Liability Partnership, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Moore, Costello & Hart, P.L.L.P., St. Paul and Minneapolis, Minnesota. Bonds are expected to be available for delivery on or about November 28, 1995.

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.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Kathryn Balstad Brewer, Chair	Doctoral Candidate of University of Minnesota; New Brighton, Minnesota; Formerly Senior Vice President With FBS Investment Services, Inc.
Mollie N. Thibodeau, Vice Chair	CFRE, Fund Raising Consultant, Duluth, Minnesota
James R. Miller, Secretary	Owner and CEO, Rollin & Associates, Inc.,
Jack Amundson	Partner, McMahon, Hartmann, Amundson & Co., Saint Cloud, 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
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota. St. Paul, Minnesota
Timothy Medd (Ex Officio)	Minnesota Higher Education Services Office, Saint Paul, Minnesota.
Tom Martinson	Principal, City Planning & Economic Development
Christopher A. Nelson	Attorney, Pustorino, Pederson, Tilton & Parrington, Minneapolis, Minnesota

J. Luther Anderson, Executive Director

Bond Counsel
Faegre & Benson, Professional Limited Liability Partnership

Financial Advisor
Springsted Incorporated

TABLE OF CONTENTS

	Page(s)
Introductory Statement	1
Risk Factors	2-3
Continuing Disclosure	3-4
The Bonds	4-7
Estimated Sources and Uses Funds	8
Purpose of the Issue	8
Source of Payment for the Bonds	8-9
Accounts	9-11
The Authority	11
Financial Advisor	12
Underwriting	12
Rating	12
Litigation	12
Legality	13
Tax Exemption	13-15
Not Qualified Tax-Exempt Obligations	15
The College	Appendix I
Proposed Form of Legal Opinion	Appendix II
Annual Report Information	Appendix III
Definition of Certain Terms	Appendix IV
Summary of Documents	Appendix V
Audited Financial Statements For year Ended May 31, 1995	Appendix VI

OFFICIAL STATEMENT

$11,245,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES FOUR-C
(Macalester College)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Macalester College (the "College"), an institution of higher education located in St. Paul, Minnesota, in connection with the issuance of the Authority's $11,245,000 Revenue Bonds, Series Four-C (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, as amended, by the provisions of which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects.

The Bonds are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College by the Authority to be used, together with other funds of the College, to renovate Rice Hall and Olin Hall, demolish an existing connection between the two Halls, and construct an enlarged connection in order to integrate the two Halls into a single science and math facility. See "PURPOSE OF THE ISSUE," herein.

The Bonds are secured by a pledge of the Loan Repayments. The Loan Repayments are a general obligation of the College.

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

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

RISK FACTORS

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

No Collateral

The Bonds are secured by a pledge of amounts payable under the Loan Agreement. No mortgage lien on or security interest in any College property has been granted to secure payment of the Bonds. The Bonds are not secured by a reserve fund.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made 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, some of 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. Certain other indebtedness of the College is secured by liens on revenues. (See "Long-Term Debt of the College," page I-14.)

Reliance on Tuition

The adequacy of College revenues will be in part 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 generally or adverse general economic conditions could influence the number of applicants to the College.

Financial Aid

Approximately 76% of the College's students currently receive some form of 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 or that the College will continue to fund student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could in turn have an adverse effect on the College's revenues.

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 Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage is provided in APPENDIX I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues 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 Trust Indenture, or the Bonds or the other obligations of the College. Accordingly, for payment of principal and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the College under the Loan Agreement.

No Limitation on Indebtedness

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

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.

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.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the College will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College to certain information repositories annually, and to provide notices of the occurrence of the eleven events enumerated in the Rule to such repositories or the Municipal Securities Rulemaking Board and to the Minnesota state information depository, if any. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement to be executed by the College at the time the Bonds are delivered, a copy of which is available from the College or the Trustee. Appendix III contains a summary of the financial information and operating data to be provided annually. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule. Furthermore, the College has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the College determines that such modification is required by the Rule. The College has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. (The College has never been a party to any Undertaking under the Rule.) A failure by the College to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the College pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

The Bonds will be dated November 1, 1995 and will mature annually each March 1, commencing March 1, 1997, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each March 1 and September 1, commencing March 1, 1996.

Book Entry Only System

The Depository Trust Company ("DTC"), New York, NY, 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 Security certificate will be issued for the Bonds, in the aggregate principal amount of such issue, 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 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 of each actual purchaser of each Security ("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 interests 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 interests in Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by 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.

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 payable 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 Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee or the Agent, 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.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security 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 neither the College nor the Authority takes any responsibility for the accuracy thereof.

Prior Redemption

Mandatory Redemption

Bonds maturing on March 1, 2008, March 1, 2012 and March 1, 2016 shall be called for redemption on March 1 in the year 2007, 2009 through 2011, and 2013 through 2015 at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Year	Amount	Year	Amount	Year	Amount
2007	$545,000	2009	$605,000	2013	$750,000
2008	575,000*	2010	640,000	2014	790,000
		2011	675,000	2015	835,000
		2012	710,000*	2016	885,000*

* *Maturity.*

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

The Bonds maturing in 2008, 2012 and 2016, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

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

Optional Redemption

At the request of the College, the Authority may elect on March, 1, 2005, and on any day thereafter, to prepay Bonds due on or after March 1, 2006. Redemption may be in whole or in part and if in part at the option of the Authority and in such manner as the Authority shall determine. If less than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

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

Partial Redemption

In the case of Bonds of denominations greater than $5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the

$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $5,000 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 registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than $5,000 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 $5,000 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 $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than 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 bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date Of Taxability effective until the respective dates on which the principal of the Bonds is paid. See "Tax Exemption" on pages 13 through 15 and Appendix IV, "DEFINITION OF CERTAIN TERMS."

The College will have the option to prepay the Loan from the first practicable date, in full or in part on any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds		
Series Four-C Principal	$11,245,000	
Less: Original Issue Discount	(58,926)	$11,186,074
Funds of the College		9,450,000
Total Sources		$20,636,074
Uses of Funds		
Project Costs		$20,450,000
Discount and Costs of Issuance		186,074
Total Uses		$20,636,074

In the event issuance costs including underwriter's discount exceed 2% of the proceeds of the Bonds, defined as par less original issue discount according to the reoffering scale, such excess shall be paid by the College from other than Bond proceeds.

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund Account on or before the next interest payment date.

PURPOSE OF THE ISSUE

Net proceeds of the Bonds, together with funds of the College, will be used to renovate Rice Hall and Olin Hall, to demolish the existing connection between the two Halls and to construct an enlarged connection in order to integrate the two Halls into a single science and math facility. The Project is currently under construction and is expected to be completed in August 1997.

SOURCE OF PAYMENT 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.

The Bonds are secured by the pledge of the Loan Repayments. The Loan Repayments are a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The College agrees to make such payments out of its operating funds or any other moneys legally available. The College covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due.

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

The Bonds will not be secured by the General Bond Reserve of the Authority (see "ACCOUNTS — General Bond Reserve Account").

ACCOUNTS

Summary

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

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account. In addition to such proceeds of the Bonds, by the Loan Agreement, the College has covenanted that it will provide and apply additional funds, if any, which, together with Bond proceeds, will be sufficient to provide for the payment of all Project Costs and all other costs relating to the Project. The Authority shall have no obligation to deposit any moneys in said Construction Account or apply moneys to Project Costs except proceeds of the Bonds or funds made available therefor by the College.

The moneys in the Construction Account shall be held in trust by the Trustee and applied to the payment and reimbursement of Project Costs and pending such application shall be subject to a lien and charge in favor of the Holders of the Bonds and shall be held for the further security of such Holders until paid out.

Payments may be made from the Construction Account for costs of improvement, acquisition, construction and equipping of the Project ("Project Costs"), provided, however, that proceeds of the Bonds may not be applied to the costs of issuance thereof (including underwriting discount) in an amount in excess of two percent of the proceeds (par value less original issue discount according to the reoffering scale) of the Bonds.

Project Costs shall be paid only upon written order of the Authorized Institution Representative provided that interest accruing on the Bonds during the Construction Period may be paid from the Construction Account.

Bond and Interest Sinking Fund Account and Sinking Fund Subaccount

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Term Bonds on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be made at least 10 Business Days prior to each March 1 on which a sinking payment is due in amounts equal to the redemption price of the principal specified for mandatory redemption. 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

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized 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 Bond and Interest Sinking Fund 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 5.04 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. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

J. Luther Anderson has been the Executive Director of the Authority since June 30, 1995, at which time he replaced the retiring Executive Director.

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 89 issues (including refunded and retired issues) totaling $419,494,189 of which $209,894,998 (excluding the Bonds) is outstanding as of November 1, 1995. 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. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

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

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

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority 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.

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 $11,107,359.40 (representing the aggregate principal amount of the Bonds less an Underwriter's discount of $78,715 and original issue discount of $58,925.60.)

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

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

RATING

As noted on the cover page hereof, Moody's Investors Service has given the Bonds a rating of "Aa." The rating reflects only the view of such rating agency. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are unaware of any pending or overtly threatened in writing 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, Professional Limited Liability Partnership 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, P.L.L.P., of St. Paul and 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. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date Of Taxability until the respective dates on which the principal of the Bonds is paid. (See "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 is not 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, Professional Limited Liability Partnership, 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.

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2009 through 2016 (the "Discount Bonds") is less than the principal amount of Bonds of such maturity. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

It is possible under the applicable provisions governing state and local income taxation in states other than Minnesota that interest on Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law.

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.

(This page was left blank intentionally.)

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 unlawfully 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 Services Office in accordance with Minnesota Statutes.

Governance

The College is governed by a Board of Trustees which consists of such number of members as may be determined from time to time by the Board. Currently there are 29 members, including the President of the College, who is a full voting member of the Board of Trustees. Except for the President, who serves as an ex-officio Trustee, the Board elects its own members. Elected Board members serve three-year overlapping terms.

<u>Board of Trustees</u>

Kenneth J. Goldman	President, The Goldman Group Madison, New Jersey
Paula Turner Grasso	Community Volunteer Winnetka, Illinois
Peter A. Heegaard	Managing Principal, Norwest Capital Advisers Minneapolis, Minnesota
Timothy A. Hultquist	Advisory Director, Morgan Stanley & Co. Incorporated New York, New York
Heinz F. Hutter	President and COO (Retired), Cargill Incorporated Minneapolis, Minnesota
Doyle E. Larson	Major General USAF (Retired) Chairman and CEO, Centurion Enterprises San Antonio, Texas
Mark F. Lindsay	Counsel, The Honorable Louis Stokes, U. S. Congress Washington, D.C.
Margaret Wallin Marvin	Community Volunteer Warroad, Minnesota
Joan Adams Mondale	Arts Advocate, American Embassy Tokyo, Japan
Janet Rajala Nelson	President, St. Paul Custom Markets, The St. Paul Companies, Inc., St. Paul, Minnesota
Ford J. Nicholson	President, Draft Co. St. Paul, Minnesota
David A. Ranheim	Partner, Dorsey & Whitney Minneapolis, Minnesota
John C. Robinson	President, Group Robinson Menlo Park, California
Ann M. Samuelson	Account Executive, Campbell Mithun Esty Minneapolis, Minnesota
Gordon C. Stewart	Senior Minister, Westminister Presbyterian Church Minneapolis, Minnesota
Ruth Stricker-Dayton	Executive Director/Owner, The Marsh Minnetonka, Minnesota
Mark A. Vander Ploeg	Managing Director, Merrill Lynch & Co. San Francisco, California
Mary W. Vaughan	Community Volunteer Minneapolis, Minnesota

F. T. Weyerhaeuser	Chairman of the Board, Clearwater Management Co. St. Paul, Minnesota
Leah Wortham	Associate Professor of Law, Columbus School of Law The Catholic University of America, Washington, D.C.

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.

Dr. Gavin has announced that he will leave the presidency in July of 1996. A national search for a new President has been initiated by the Board of Trustees.

Treasurer of the College

Craig H. Aase is Acting Treasurer of the College as of July of 1995, after 18 years as Comptroller and Business Manager. Mr. Aase reports to the President and is responsible 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 & Budget as well as the Trustee committees on finance, investment and audit. Mr. Aase holds a B.A. from Macalester College and an MBA from the University of Rochester. He is a past director of the Central Association of College and University Business Officers.

Members of the President's Council

Craig H. Aase, Acting Treasurer of the College
Richard A. Ammons, Vice President for Development
Kenneth W. Andrews, Director, Physical Education and Recreation
Daniel J. Balik, Registrar, Director of Institutional Research
Ann M. Bolger, Director, Residential Life
Joel G. Clemmer, Director, Library
Steve Colee, Director, Admissions
Mark D. Dickinson, Director, Physical Plant and College Services
Duane R. Elvin, Director, Human Resources
Robert M. Gavin, Jr., President
Ellen D. Guyer, Dean of Academic Programs
Laurie B. Hamre, Dean of Students
Lora Hendrickson, Associate Director, Human Resources
Alexander G. Hill, Assistant to the President
Karen A. McConkey, Alumni Director
Carol McGee Johnson, Interim Director, Multicultural Affairs
Edmund D. Meyers, Jr., Director, Computing and Information Technology
Kathleen Parson, Academic Dean
A. Wayne Roberts, Provost
Ahmed I. Samatar, Dean of International Studies
William M. Shain, Dean of Admissions
Douglas A. Stone, Director, College Relations
Anne Sutherland, Dean of International Faculty Development

Campus and Buildings

The College campus occupies approximately 54 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. (The building is scheduled to be completely renovated in 1996/97 as the second part of the Project.)

Rice Hall (1970) - The departments of Biology, Geology and Psychology occupy the space in this second science building on campus, which adjoins Olin Hall. (The building is under construction for total renovation during 1995/96. It is the first phase of the Project.)

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.

77 Mac (1917) - An administrative support building housing the Business Office, Human Resources and Registrar. The building was totally renovated in 1995.

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 was completed in the summer of 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.

Deferred Maintenance

As a result of ten years of extensive campus renovation projects ($23 million in Fiscal Years 1992-93 through 1994-95 alone), deferred maintenance on campus buildings is estimated to be less than $5 million.

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 16 hours of credit during each of the fall and spring terms and one course or project during the intersession. The Bachelor of Arts degree is awarded in 36 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 Enrollment

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

	Fall Term	Total FTE	Total Head Count
Actual:	1991	1,776	1,858
	1992	1,765	1,838
	1993	1,761	1,836
	1994	1,740	1,796
	1995	1,719	1,768

Geographical Distribution of Student Body

Following is the geographic distribution of full-time students for Fall Term, 1995:

Place of Origin	Number of Students
Minnesota	429
Wisconsin	112
Illinois	74
New York	78
Massachusetts	59
California	51
Iowa	59
Ohio	43
Michigan	38
Washington	36
Other States	551
International	165
Total	1,695

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
1994	2,752	1,597	58	452	28	1,241
1995	2,880	1,562	54	437	28	1,259

Student Retention

The College reports the following 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	78
1990	431	93	86	80	70	78
1991	403	88	82	80	69	
1992	475	91	81	79		
1993	452	89	79			
1994	452	88				

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 1990-91 through 1995-96.

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Tuition and Fees*	$12,471	$13,331	$14,125	$15,107	$16,010	$16,686
Room	1,930	2,064	2,188	2,340	2,480	2,585
Full Board	1,784	1,906	2,020	2,162	2,292	2,390
Total	$16,185	$17,301	$18,333	$19,609	$20,782	$21,661

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

1994-95 Undergraduate Tuition, Fees, Room and Board Comparison

The following table compares the College's charges for tuition, fees, room and board to highly selective private four-year liberal arts colleges to which the College generally compares itself. The colleges are listed in order of total cost.

	Tuition	Fees	Room	Board	Total
Swarthmore College	$19,124	$192	$3,384	$3,200	$25,900
Oberlin College	19,670	144	2,920	2,900	25,634
Reed College	19,960	150	2,690	2,800	25,600
Williams College	19,629	141	2,855	2,935	25,560
Wesleyan University (Connecticut)	19,130	860	3,290	2,310	25,390
Smith College	18,820	163	2,880	3,510	25,373
Amherst College	19,760	292	2,650	2,650	25,352
Haverford College	18,833	182	3,400	2,835	25,250
Bowdoin College	19,030	325	2,620	3,265	25,240
Pomona College	17,720	180	7,220*		25,120
Wellesley College	18,345	360	3,055	3,100	24,860
Occidental College	17,666	174	3,100	2,560	23,500
Carleton College	19,292	126	1,623	2,334	23,375
Colorado College	17,142	0	2,114	2,076	21,332
Lawrence College	17,163	90	2,079	1,812	21,144
Macalester College	**15,909**	**101**	**2,480**	**2,292**	**20,782**
Grinnell College	15,688	374	2,120	2,498	20,680
St. Olaf College	14,350	80	1,700	2,050	18,180

* *Room and board.*

Source: Higher Education Data Survey and individual colleges.

Faculty and Staff

The teaching student-faculty ratio for 1994-95 was 11 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 ("AAUP") and the Association of American Colleges.

The College employs 131 full-time and 61 part-time teaching faculty. The total faculty payroll for Fiscal Year 1994-95 was approximately $10,400,000 including benefits.

Salaries of Full-Time Instructional Faculty

Academic Rank	Number of Faculty	Average Total Compensation*
Professor	51	$81,300
Associate Professor	37	63,100
Assistant Professor	37	51,000
Instructor	6	43,000

* *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, 121 hold Ph.D's or the highest degree in their field. Approximately 59% 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 expired on August 31, 1995. New contracts are being negotiated. These are the only two bargaining units at the College.

Pension Plans

The College provides retirement benefits to substantially all employees, subject to certain minimum age and service requirements. Certain academic and non-academic personnel are covered under a defined contribution plan described in Section 403(b) of the Internal Revenue Code. A plan covering union employees is funded by deposits with trustees based on a fixed rate of contribution per hour worked. Both of these plans are defined contribution plans. Therefore, other than the obligation to make the required contributions to these plans, the College has no liability for the benefits payable under the plans. 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, 1995 was approximately $293,570. Total pension expense for the year ended May 31, 1995 was $1,417,185 including $37,369 paid under the unfunded supplemental plan.

Financial Aid

Approximately 76% of the current student body receives some form of federal, state and College 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. For the 1994-95 Fiscal Year, less than 10% of the total grant awards to students were funded from federal and state sources. Including loans and grants, approximately 25% came from federal and state sources. No assurance can be given that federal and State student financial aid or College aid will continue to be funded at current levels.

Following is a five-year history of financial aid awarded to students of the College from all sources, except this table does not include non-need based aid such as SELF and PLUS loans.

	1990-91	1991-92	1992-93	1993-94	1994-95
Grants	$6,311,000	$ 7,268,000	$ 8,664,000	$ 9,940,000	$11,168,000
Loans	1,977,000	1,972,000	1,966,000	2,380,000	2,306,000
Work-Study	1,149,000	1,298,000	1,383,000	1,412,000	1,410,000
Total	$9,437,000	$10,538,000	$12,013,000	$13,732,000	$14,884,000
Percent of Full-Time Students Receiving Aid	72%	73%	74%	75%	76%
Average Award Per Recipient	$7,538	$8,370	$9,392	$10,610	$11,379

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, one director of Reader's Digest and one director of the DeWitt Wallace-Reader's Digest Fund.

As of May 31, 1995, the market value of the net assets of the Wallace Fund was estimated at $376,239,000 (see Note 2 to the Financial Statements of the College included in Appendix VI 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 May 31, 1995, approximately one-third of the principal amount of the Wallace Fund assets, valued at market, were held in diversified investments managed by the College, with the remainder of the assets invested in Reader's Digest stock.

The College's 1995-96 operating budget includes $15,536,000 in anticipated distributions from the Wallace Fund. Distributions for operations for fiscal year 1994-95 totaled $14,795,000. 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, faculty salaries, recruiting expenses, 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. Because the College does not have title to the Wallace Fund assets, no assurance can be given that the Wallace Fund assets will be available to pay Loan Repayments or to pay claims of the College's creditors, except to the extent made available for such purposes through action taken by the governing board of the Wallace Fund.

Endowment and Similar Funds

Following is a five-year history of the ending fund balances (book value) of the College's Endowment and Similar Funds (including the Wallace Fund assets and excluding annuities and life income), as reported in the annual financial statements of the College for each year.

Year Ended May 31	Wallace Fund	Endowment	Quasi-Endowment
1991	$251,784,608	$57,599,717	$14,370,048
1992	262,145,139	65,500,164	18,410,423
1993	262,145,139	70,344,525	24,202,405
1994	262,145,139	77,847,511	25,890,712
1995	262,145,139	80,903,614	27,929,283

Although the earnings on and appreciation of the Endowment Funds and Quasi-Endowment Funds may be expended by the College for a variety of purposes, subject to certain restrictions imposed by law, the donors of such funds or the Board of Trustees, as of May 31, 1995, only $38 million of the combined fund balances of the Endowment and Quasi-Endowment funds could be expended for the general, unrestricted purposes of the College, including payment of principal and interest on indebtedness.

Market Value of Endowment Assets

Following is the combined market value of the College's endowment assets (including the Wallace Fund assets) as of May 31 for the past five fiscal years. (See notes to financial statements and Schedule 1 in Appendix VI.)

Fiscal Year	Endowment Market Value
1995	$484,427,186
1994	470,937,801
1993	476,355,976
1992	480,241,987
1991	394,618,267

According to a survey conducted by the National Association of College and University Business Officers (NACUBO), the College ranked 32nd among 446 higher education institutions and foundations reporting on the total market value of total endowment assets at the end of Fiscal Year 1994 and is the second highest ranked in that list of any independent liberal arts college. The rankings take into account the Wallace Fund.

Gifts and Grants

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

Year Ended	Current Funds		Endowment	Deferred	Plant	
May 31	Unrestricted	Restricted	Funds	Gift Funds	Funds	Total
1990	$2,201,282	$1,039,852	$ 478,598	$ 90,571	$ 422,069	$4,232,372
1991	2,186,969	1,239,971	2,623,477	1,232,121	799,598	8,082,136
1992	2,146,526	1,276,718	1,277,216	8,151	416,977	5,125,588
1993	1,690,528	1,366,782	1,925,698	130,107	437,836	5,550,951
1994	1,484,167	835,193	313,891	463,556	164,614	3,261,421
1995	1,238,885	845,010	144,152	433,788	1,169,051	3,830,886

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 VI sets forth the financial statements of the College for the year ended May 31, 1995, which statements have been examined by KPMG Peat Marwick. Aside from Appendix VI, KPMG Peat Marwick expresses no opinion on the contents of this Official Statement.

The College expects that the presentation of financial statements prepared for the Fiscal Year ended May 31, 1996 will be significantly different from the presentation contained in Appendix VI. The Financial Accounting Standard Board ("FASB") has adopted two Statements of Financial Accounting Standards ("SFAS"), SFAS No. 116 and SFAS No. 117, which affect financial reporting by not-for-profit organizations. These standards will affect the College's financial statements beginning with the Fiscal Year ended May 31, 1996. Changes in presentation will impair the comparability between financial statements for the Fiscal Years ended prior to May 31, 1996 and financial statements for Fiscal Years thereafter.

SFAS No. 116 establishes accounting standards for contributions and applies to all entities that receive or make contributions. Generally, contributions received, including unconditional promises to give, will now be recognized as revenues, at their fair values, in the period received. This is a departure from prior standards under which colleges did not recognize promises to give until the asset was in hand.

SFAS 117 establishes standards for general-purpose external financial statements that will be more comparable to for-profit entities. The new statement requires classification of an organization's net assets, as well as its revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires three classes of net assets—permanently restricted, temporarily restricted and unrestricted—to be displayed in a statement of financial position. It also requires the amount of change in each of those classes of net assets to be displayed in a statement of activities. Revenues that are classified as temporarily restricted or permanently restricted consist almost entirely of donor-restricted contributions. Most other types of revenue will be accounted for in the unrestricted asset class.

Budget Stabilization

Since 1985, the College has maintained a designated fund balance of $1,203,813 as an income stabilization fund for the purpose of providing a budget balancing reserve for future years.

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 VI.

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

For the Years Ended May 31,

	1991	1992	1993	1994	1995
REVENUES:					
Tuition and fees	$22,189,320	$23,548,465	$24,516,708	$26,303,292	$27,503,695
Private Gifts, Grants and Contracts	2,186,969	2,146,526	1,690,528	1,484,167	1,238,885
Endowment Income	661,004	801,121	621,239	938,348	1,131,176
Investment Income	450,144	411,128	274,004	309,497	358,640
Realized Net Gains (Losses) on Investments	(4,196)	(2,839)	419,935	(10,714)	(11,139)
Sales and Services of Aux. Enterprises	4,720,360	4,897,441	4,870,949	4,941,526	5,168,038
Other Sources	104,965	238,193	231,561	204,083	226,791
Matured Annuity	25,398	25,921	49,285	–	12,712
Total Revenue	30,333,964	32,065,956	32,674,209	34,170,199	35,628,798
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	9,353,374	4,848,496	4,930,509	5,583,719	4,456,288
Public Service	164,769	176,485	164,814	207,399	218,339
Academic Support	1,599,023	1,583,682	1,708,298	2,116,361	2,376,344
Student Services	3,434,460	3,319,121	3,493,243	3,836,261	4,130,950
Institutional Support	3,848,974	4,514,595	4,791,474	5,656,488	5,705,224
Operation and Maintenance	2,146,304	2,273,442	2,446,988	2,605,785	2,595,350
Student Aid, Scholarships and Prizes	1,960,400	2,657,584	1,507,865	1,615,901	2,515,513
Educational and General Expenditures	22,507,304	19,373,405	19,043,191	21,621,914	21,998,008
Mandatory Transfers for:					
Endowment	40,251	–	–	–	–
Prior Year Gift Redesignation	–	–	–	–	–
Principal and Interest	453,688	446,938	1,027,449	776,979	890,595
Total Educational and General	23,001,243	19,820,343	20,070,640	22,398,893	22,888,603
Auxiliary Enterprises					
Expenditures	3,802,929	3,889,470	3,785,134	3,938,358	4,125,347
Mandatory Transfers for					
Principal and Interest	207,120	200,328	207,163	206,652	203,411
Renewals and Replacements	38,802	38,802	38,802	38,802	38,802
Total Auxiliary Enterprises	4,048,851	4,128,600	4,031,099	4,183,812	4,367,560
Total Expenditures and Mandatory Transfers	27,050,094	23,948,943	24,101,739	26,582,705	27,256,163
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):					
Transfer to Current Restricted Fund	–	–	(115,000)	–	–
Transfers to Plant Fund	(2,242,226)	(7,004,638)	(1,025,264)	(7,098,204)	(8,006,852)
Transfers To Quasi–Endowment Funds	(1,062,005)	(1,083,197)	(7,380,779)	(361,512)	(1,307,577)
NET INCREASE (DECREASE) IN FUND BALANCE	(20,361)	29,178	51,427	127,778	(941,794)
FUND BALANCE–BEGINNING OF YEAR	1,244,092	1,223,731	1,252,909	1,304,336	1,432,114
FUND BALANCE–END OF YEAR	$1,223,731	$1,252,909	$1,304,336	$1,432,114	$490,320

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,

	1991	1992	1993	1994	1995
REVENUES:					
Tuition and fees	$22,207,571	$23,576,388	$24,617,876	$26,433,352	$27,631,165
Federal Grants and Contracts	1,236,413	1,363,001	1,856,506	1,604,673	1,527,071
State Grants and Contracts	82,075	50,759	55,618	688,847	644,868
Private Gifts, Grants and Contracts	3,521,491	3,369,861	2,972,226	2,539,815	2,183,769
Endowment Income	7,134,993	12,876,886	15,986,489	18,200,322	20,434,858
Investment Income	521,666	448,552	316,813	351,912	410,766
Realized Net Gains (Losses) on Investments	(4,196)	(2,839)	419,935	(10,714)	(11,139)
Sales and Services of Aux. Enterprises	4,727,279	4,902,886	4,879,055	4,949,001	5,171,982
Matured Life Income	25,398	25,921	49,285	–	12,712
Other Sources	211,525	381,453	463,320	372,227	455,474
Total Revenue	39,664,215	46,992,868	51,617,123	55,129,435	58,461,526
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	11,828,541	12,035,747	12,727,805	13,836,011	14,271,752
Research	379,003	482,644	541,724	527,482	546,400
Public Service	251,876	251,940	232,334	291,261	285,393
Academic Support	2,077,964	2,311,735	2,494,518	2,837,690	3,161,043
Student Services	4,231,481	4,368,447	4,645,231	5,191,756	5,485,437
Institutional Support	4,032,545	4,774,725	5,219,594	6,064,888	6,117,211
Operation and Maintenance	2,241,122	2,343,899	2,569,254	2,692,066	2,684,372
Student Aid, Scholarships and Prizes	6,661,350	7,662,669	9,101,893	11,049,006	12,224,384
Educational and General Expenditures	31,703,882	34,231,806	37,532,353	42,490,160	44,775,992
Mandatory Transfers for:					
Endowment	62,510	36,543	59,897	–	41,127
Prinicpal and Interest	453,688	446,938	1,027,449	776,979	890,595
Plant Fund	–	–	345,455	–	–
Total Educational and General	32,220,080	34,715,287	38,965,154	43,267,139	45,707,714
Auxiliary Enterprises					
Expenditures	3,914,343	3,921,438	3,833,534	4,029,348	4,138,964
Mandatory Tranfers for					
Principal and Interest	207,120	200,328	207,163	206,652	203,411
Renewals and Replacements	38,802	38,802	38,802	38,802	38,802
Total Auxiliary Enterprises	4,160,265	4,160,568	4,079,499	4,274,802	4,381,177
Total Expenditures and Mandatory Transfers	36,380,345	38,875,855	43,044,653	47,541,941	50,088,891
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):					
Excess of Restricted Additions					
Over Expenditures	2,229,044	3,135,017	1,067,573	366,384	1,163,680
Transfers to Plant Fund	(2,242,226)	(7,004,638)	(1,025,264)	(7,098,204)	(8,006,852)
Transfers To Quasi–Endowment Funds	(3,336,419)	(3,877,547)	(8,354,687)	(833,129)	(1,967,346)
NET INCREASE (DECREASE) IN FUND BALANCES	(65,731)	369,845	260,092	22,545	(437,883)
FUND BALANCES–BEGINNING OF YEAR	4,646,558	4,580,827	4,950,672	5,210,764	5,233,309
FUND BALANCES–END OF YEAR	$4,580,827	$4,950,672	$5,210,764	$5,233,309	$4,795,426

Source: Audited financial statements of the College.

Long-Term Debt of the College

As of May 31, 1995, the College's total long-term debt outstanding was $23,874,037.

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; $56,000 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; $830,000 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. 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, 1995 under both loans is $658,037. Both loans bear interest at 3% per 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 fund of $1,300,120. $15,670,000 is outstanding.

5. $6,660,000 in outstanding Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-Z (Macalester College), dated September 15, 1994. Weekly maturity and rate reset, total principal due 2024.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page I-17 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 6 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, 1995, 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 to the Bonds. The table 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	Existing Long Term Debt Service (a)	Combined Long Term Debt Service	UCF Amount Available For Debt Service (b)	Coverage (Times)
1995	$0	$1,366,049	$1,366,049	$9,466,641	6.93
1996	196,193	1,658,305	1,854,497	9,466,641	5.10
1997	933,578	1,831,413	2,764,990	9,466,641	3.42
1998	934,778	1,804,262	2,739,039	9,466,641	3.46
1999	934,658	1,800,311	2,734,969	9,466,641	3.46
2000	828,158	1,800,451	2,628,609	9,466,641	3.60
2001	1,030,333	1,799,016	2,829,349	9,466,641	3.35
2002	930,333	1,806,457	2,736,790	9,466,641	3.46
2003	929,908	1,801,929	2,731,837	9,466,641	3.47
2004	933,083	1,802,694	2,735,777	9,466,641	3.46
2005	929,570	1,806,194	2,735,764	9,466,641	3.46
2006	929,820	1,802,124	2,731,944	9,466,641	3.47
2007	928,820	1,805,664	2,734,484	9,466,641	3.46
2008	930,480	1,806,185	2,736,665	9,466,641	3.46
2009	930,580	1,804,119	2,734,699	9,466,641	3.46
2010	932,305	1,804,450	2,736,755	9,466,641	3.46
2011	932,105	1,801,840	2,733,945	9,466,641	3.46
2012	929,980	1,806,269	2,736,249	9,466,641	3.46
2013	930,930	1,807,202	2,738,132	9,466,641	3.46
2014	929,305	1,804,662	2,733,967	9,466,641	3.46
2015	930,460	1,808,634	2,739,094	9,466,641	3.46
2016	934,118	1,807,684	2,741,802	9,466,641	3.45
2017	0	1,802,679	1,802,679	9,466,641	5.25
2018	0	1,803,469	1,803,469	9,466,641	5.25
2019	0	1,810,438	1,810,438	9,466,641	5.23
2020	0	1,788,241	1,788,241	9,466,641	5.29
2021	0	1,767,733	1,767,733	9,466,641	5.36
2022	0	1,772,515	1,772,515	9,466,641	5.34
2023	0	471,035	471,035	9,466,641	20.10
2024	0	471,255	471,255	9,466,641	20.09
Totals:	18,819,490	50,823,275	69,642,765		

(a) Includes Series Three–Z Bonds which are in a variable interest rate mode, with all bonds maturing March 1, 2024. The rate used for the variable rate bonds is 5.85%, which is the rate the College, upon advice of its financial advisor, assumes it would be able to finance the Bonds on a fixed rate tax–exempt basis as of November 1, 1995.

(b) Amount available for Debt Service (Unrestricted Current Fund), based on Fiscal Year 1994–95 Audited Financial Statement of the College.

Unrestricted Current Fund ("UCF") Revenues:	$35,628,798
Less: UCF Expenditures and Mandatory Transfers	27,256,163
Excess of UCF Revenues over UCF Expenditures and Mandatory Transfers	$8,372,635
Add: Mandatory Transfers for Debt Service:	1,094,006
Amount Available For Debt Service Payments	$9,466,641

PROPOSED FORM OF LEGAL OPINION

(Form of Opinion of Bond Counsel)

$________________

Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Four-C
(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 Revenue Bonds, Series Four-C (Macalester College), in the aggregate principal amount of $__________ (the "Bonds"), dated November 1, 1995, in the denomination of $5,000 each and integral multiples thereof, maturing on March 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

Year	Amount	Basic Interest Rate	Year	Amount	Basic Interest Rate
1997			2004		
1998			2005		
1999			2006		
2000			2007		
2001			20__		
2002			20__		
2003					

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. The Bonds due in the years 20___ and 20___ shall be redeemed through operation of the mandatory Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account provided for in the Indenture, as defined below. Interest on the Bonds is payable on each March 1 and September 1, commencing March 1, 1996. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the

Authority to Macalester College, a Minnesota nonprofit corporation and institution of higher education located in the City of St. Paul, Minnesota (the "College"), in order to finance renovation and expansion of the Rice/Olin Hall science facility, all owned or to be 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 the Trustee each dated as of November 1, 1995, one or more opinions of Moore, Costello & Hart Professional Limited Liability Partnership 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 Professional Limited Liability Partnership, as to the Loan Agreement having been duly authorized and executed and being binding upon the College 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. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the 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, _______________, 1995.

(This page was left blank intentionally.)

ANNUAL REPORT INFORMATION
TO BE PROVIDED AS CONTINUING DISCLOSURE

The Annual Report Date will be the earlier of (a) thirty days after the Board of Trustees of the College approves and accepts the audited financial statements or (b) 270 days after the fiscal year end, commencing with the fiscal year ended May 31, 1996. The Annual Report will contain:

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

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

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

- Student Enrollment
- Geographic Distribution of Student Body
- Freshmen Applications, Acceptances And Enrollments
- Student Retention
- Tuition, Fees, Room and Board
- Faculty And Staff
- Financial Aid

b. Provide information as to gift and grant support for the most recent complete fiscal year, identifying major sources.

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

d. For the first Annual Report to be filed after May 31, 1996, a comparison of the financial statements prepared for the fiscal year ended May 31, 1996 and the financial statements included in the Official Statement, with a qualitative discussion and, to the extent feasible, a quantitative comparison of the differences in standards and the impact of the change on the presentation of the financial information resulting from the Statement of Financial Accounting Standards Nos. 116 and 117.

(This page was left blank intentionally.)

DEFINITION OF CERTAIN TERMS

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

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the College pursuant to section 2.09 of the Indenture.

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 other officer authorized to act on behalf of the foregoing officer. Such certificate may designate an alternate or alternates.

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

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture as described in Section 5.04 thereof.

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

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

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

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

Bond Resolution: The Series Resolution of the Authority adopted on November 15, 1995, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the College and located on the Project Site.

Business Day: Any day other than Saturday, Sunday, a legal holiday in the State of Minnesota, or any other day that banks in Minnesota, or DTC or its successor as depository are not open for business.

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

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.

Date of Taxability: The date as of which the interest on the Series Four-C Bonds is determined to be includable in the gross income of the Owners thereof, provided that no Series Four-C

Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal income taxes from the Owner of such Bond.

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 includable 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, 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.

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

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

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as Trustee, dated as of November 1, 1995, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the College dated as of November 1, 1995, 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.

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

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

Project Building: Rice Hall and Olin Hall renovated or improved with proceeds of the Bonds, including investment earnings.

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 Building.

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

Project Site: The land on which the Project Building is located.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account and (ii) 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.

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

Series Four-C Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-C (Macalester College).

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

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

Trustee, Registrar, Paying Agent: Norwest Bank Minnesota, National Association.

(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 IV, 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 December 31, 1997 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 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, including investment earnings in the Construction Account.

Loan Repayments

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

(a) At least 10 business days prior to each March 1 and September 1, commencing March 1, 1996, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest, or as principal and interest, on the Series Four-C Bonds on the next succeeding interest payment date, provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 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 Series Four-C Bonds called for redemption from the Redemption Account; and

(c) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the

Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Series Four-C Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate); 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.

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, modifications and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be excludable 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, such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, or the Act, and the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

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 brought by the College therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

The College may, at its expense, in good faith contest any such taxes, assessments, license fees and other charges and may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest unless the Authority or the Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities or 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 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, with a deductible amount of up to $250,000.

(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, with a deductible amount of not more than $250,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $100,000.

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

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $100,000, the College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $100,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

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

Condemnation

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

Removal of Project Equipment and Building Equipment

The College may remove or release Project Equipment and Building Equipment from the Project Facilities if no Default exists and 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 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; 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 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.

College to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and be either a state university or college or a nonprofit corporation and a nonprofit Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the institution be nonsectarian; and (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 non-hospital 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, unless the College obtains an opinion of nationally recognized bond counsel that the tax-exempt status of the Bonds will not be affected, 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 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.

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.

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.

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bond is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, in integral multiples of $5,000, as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price in either event shall be equal to par plus accrued interest (including additional interest from the Date of Taxability).

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Office, subject to the right of contest.

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

Events of Default

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

(a) If the 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 or Redemption Account, as the case may be, on a Bond principal or interest payment date or redemption 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) 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 this 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; or

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

(e) 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 or the Institution, 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

(f) 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 the Institution or of the whole or any substantial part of its property, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

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

Remedies on Default

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

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

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

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

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

Granting Clauses

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

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

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

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

Accounts

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

Trustee's Right to Payment

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

Additional Bonds

In addition to the Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the College, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes: (i) completion of the Project, (ii) refunding of all or any series or portion of series of then outstanding Bonds or Additional Bonds, (iii) improvements or alterations, repairs or replacement of the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants set forth in the Loan Agreement. Furthermore, to the extent required by the Authority, the College shall execute supplements to the Loan Agreement and the Indenture. Additional Bonds may not be issued unless in the opinion of bond counsel the interest on the outstanding Bonds remains excludable from gross income of the holders for federal income tax purposes.

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 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 Bond proceeds.

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.

Remedies

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

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

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce 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 its reference or prime rate, 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.

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 and for the equal benefit of the Holders of all Bonds outstanding.

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

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

Defeasance

If the Authority and the College shall:

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

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

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

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

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

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

Supplemental Indentures

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

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

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

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

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

(e) to create a series of and authorize Additional Bonds; and.

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

In addition and subject to the provisions set forth below, the Holders of not less than 65% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to 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.

Registration

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

(This page was left blank intentionally.)

AUDITED FINANCIAL STATEMENTS

KPMG Peat Marwick LLP

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, 1995 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, 1995, 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 11, 1995

Balance Sheet
May 31, 1995
with comparative figures at May 31, 1994

Assets		1995	1994
Current funds:			
Cash and cash equivalents	$	15,555,238	6,826,746
Notes and accounts receivable, net of allowance for doubtful receivables of $155,766 ($176,253 in 1994)		1,889,168	1,557,945
Accrued investment income		2,232,196	2,096,379
Prepaid expenses		260,057	283,282
Due from plant fund (note 7)		0	2,299,643
Total Current funds	$	19,936,659	13,063,995
Loan funds:			
Cash and cash equivalents	$	234,288	449,511
Investment in intermediate cash fund, at cost which approximates market		1,754,964	1,643,541
Notes and accounts receivable, net of allowance for doubtful receivables of $480,384 in 1995 and 1994		3,228,270	3,141,437
Accrued investment income		22,802	15,909
Due from other funds		63,157	0
Total Loan funds	$	5,303,481	5,250,398
High Winds fund (note 8):			
Real estate contracts & accounts receivable	$	116,291	120,616
Real estate, at cost		2,532,805	2,357,452
Due from plant fund		0	1,340,000
Due from other funds		1,125,174	53,753
Total High Winds fund	$	3,774,270	3,871,821
Endowment and similar funds:			
Investments, at cost (note 3)	$	116,484,619	110,676,733
Accrued investment income		56,457	58,161
Due from other funds		168,268	503,416
Net assets owned by DeWitt Wallace Fund for Macalester College, at cost (note 3)		262,145,139	262,145,139
Total Endowment and similar funds	$	378,854,483	373,383,449
Plant funds (note 7):			
Cash and cash equivalents	$	251,482	186,890
Investments in U.S. Government securities, at cost which approximates market		1,757,580	1,812,591
Investment property		0	30,000
Other receivables		43,516	43,751
Debt financing costs		500,511	366,002
Due from other funds		6,507,730	1,268,364
Investment in plant:			
Land and land improvements		1,224,111	1,224,111
Buildings		77,007,556	72,654,943
Furniture and equipment		1,906,590	1,557,229
Accumulated depreciation		(17,701,039)	(15,954,806)
Total net investment in plant		62,437,218	59,481,477
Total Plant funds	$	71,498,037	63,189,075

See accompanying notes to financial statements.

Liabilities and Fund Balances		1995	1994
Current funds:			
Accounts payable and accrued expenses	$	6,957,079	6,002,073
Student deposits		319,825	236,934
Due to other funds		7,864,329	1,591,679
Funds balances:			
Unrestricted:			
Undesignated		490,320	228,301
Designated		0	1,203,813
Restricted		4,305,106	3,801,195
Total fund balances		4,795,426	5,233,309
Total Current funds	$	19,936,659	13,063,995
Loan funds:			
Due to other funds	$	0	233,854
Fund balances - restricted:			
U.S. Government grants refundable		2,657,549	2,505,695
College funds		2,645,932	2,510,849
Total fund balances		5,303,481	5,016,544
Total Loan funds	$	5,303,481	5,250,398
High Winds fund (note 8):			
Accounts payable and accrued expenses	$	8,428	0
Rental deposits		3,485	4,215
Fund balance - restricted		3,762,357	3,867,606
Total High Winds fund	$	3,774,270	3,871,821
Endowment and similar funds:			
Contracts and other payables	$	1,017,656	831,527
Fund balances:			
DeWitt Wallace Fund for Macalester College (note 2)		262,145,139	262,145,139
Macalester College:			
Endowment and term endowment		80,903,614	77,847,511
Quasi-endowment:			
Unrestricted		19,214,232	17,835,430
Restricted		8,715,051	8,055,282
Annuity		940,562	839,769
Life Income		5,918,229	5,828,791
Subtotal-Macalester College		115,691,688	110,406,783
Total combined fund balances		377,836,827	372,551,922
Total Endowment and similar funds	$	378,854,483	373,383,449
Plant funds (note 7):			
Due to current funds	$	0	2,299,643
Due to High Winds fund		0	1,340,000
Bonds, mortgages and note payable		23,874,037	17,363,933
Accrued interest payable		276,157	251,342
Fund balances:			
Unrestricted - unexpended		5,592,045	4,744,251
Restricted - unexpended:			
Donor		314,824	104,597
Debt reserve		879,792	712,599
Net investment in plant		40,561,182	36,372,710
Total fund balances		47,347,843	41,934,157
Total Plant funds	$	71,498,037	63,189,075

Statement of Changes in Fund Balances
Year ended May 31, 1995

	Current Funds					Endowment Funds					Plant Funds		
	Unrestricted										Unexpended		
	Undesignated	Designated	Restricted	Loan Funds	High Winds Fund	True and Term	Quasi	DeWitt Wallace Fund for Macalester College	Annuity Funds	Life Income Funds	Unrestricted	Restricted	Net Investment In Plant
Revenue and other additions:													
Unrestricted current fund revenues	$ 35,628,798	-	-	-	-	-	-	-	-	-	-	-	-
Federal grants and contracts - restricted	-	-	1,875,971	156,513	-	-	-	-	-	-	-	-	-
State grants and contracts	-	-	644,868	-	-	-	-	-	-	-	-	-	-
Private gifts, grants and contracts - restricted	-	-	848,010	-	-	144,152	-	-	333,565	100,223	-	1,169,052	224,100
Endowment income - restricted	-	-	20,215,337	4,195	-	500,000	-	-	-	-	-	17,726	-
Sales and service of auxiliary enterprises - restricted	-	-	3,944	-	377,588	-	-	-	-	-	-	-	-
Other sources	-	-	356,152	5,103	9,217	-	-	-	-	-	8,579	500	-
Investment income - restricted	-	-	52,126	128,203	82,500	-	-	-	92,658	392,284	-	126,580	-
Realized gains on investments - restricted	-	-	-	-	-	2,370,824	-	-	-	176	-	-	-
Interest on loans receivable - restricted	-	-	-	88,313	8,164	-	-	-	-	-	-	-	-
Expended for plant facilities (including $90,513 charged to current funds)	-	-	-	-	-	-	-	-	-	-	-	-	2,128,065
Retirement of indebtedness	-	-	-	-	-	-	-	-	-	-	-	-	3,677,539
Total revenues and other additions	35,628,798	0	23,996,408	382,327	477,469	3,014,976	0	0	426,223	492,683	8,579	1,313,858	6,029,704
Expenditures and other deductions:													
Educational and general	21,998,008	-	22,777,984	-	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	4,125,347	-	13,617	-	582,718	-	-	-	-	-	-	-	-
Loan cancellations	-	-	-	22,175	-	-	-	-	-	-	-	-	-
Administrative and collection costs	-	-	-	73,215	-	-	-	-	-	26,378	75,138	-	-
Expended for plant facilities	-	-	-	-	-	-	-	-	-	-	3,175,506	905,825	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	1,841,232
Paid to beneficiaries	-	-	-	-	-	-	-	-	312,718	376,867	-	-	-
Matured annuity funds	-	-	-	-	-	-	-	-	12,712	-	-	-	-
Interest on indebtedness	-	-	-	-	-	-	-	-	-	-	116,220	1,215,430	-
Retirment of indebtedness	-	-	-	-	-	-	-	-	-	-	3,527,643	149,896	-
Total expenditures and other deductions	26,123,355	0	22,791,601	95,390	582,718	0	0	0	325,430	403,245	6,894,507	2,271,151	1,841,232
Transfers among funds - additions (deductions):													
Mandatory:													
To plant:													
Principal and interest	(1,094,006)	-	-	-	-	-	-	-	-	-	-	1,094,006	-
Renewals and replacements	(38,802)	-	-	-	-	-	-	-	-	-	-	38,802	-
To endowment:	-	-	(41,127)	-	-	41,127	-	-	-	-	-	-	-
Nonmandatory:													
Capital improvements	(8,006,852)	-	-	-	-	-	-	-	-	-	7,733,722	273,130	-
To quasi-endowment (notes 1 & 5)	(103,764)	(1,203,813)	(659,769)	-	-	0	2,038,571	-	-	-	-	(71,225)	-
Total transfers	(9,243,424)	(1,203,813)	(700,896)	0	0	41,127	2,038,571	0	0	0	7,733,722	1,334,713	0
Net increase (decrease) for the year	262,019	(1,203,813)	503,911	286,937	(105,249)	3,056,103	2,038,571	0	100,793	89,438	847,794	377,420	4,188,472
Fund balances at beginning 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
Fund balances at end of year	$ 490,320	0	4,305,106	5,303,481	3,762,357	80,903,614	27,929,283	262,145,139	940,562	5,918,229	5,592,045	1,194,616	40,561,182

See accompanying notes to financial statements.

Statement of Current Funds Revenues, Expenditures and Other Changes
Year ended May 31, 1995
with comparative figures for the year ended May 31, 1994

	1995				
	Unrestricted				1994
	Undesignated	Designated	Restricted	Total	Total
Revenues:					
Tuition and fees (note 7)	$ 27,503,695	-	127,470	27,631,165	26,433,352
Federal grants and contracts	-	-	1,527,071	1,527,071	1,604,673
State grants and contracts	-	-	644,868	644,868	688,847
Private gifts, grants and contracts	1,238,885	-	944,884	2,183,769	2,539,815
Endowment income	1,131,176	-	19,303,682	20,434,858	18,200,322
Investment income	358,640	-	52,126	410,766	351,912
Realized net gains (losses) on investments	(11,139)	-	-	(11,139)	(10,714)
Sales and services of auxiliary enterprises	5,168,038	-	3,944	5,171,982	4,949,001
Other sources	226,791	-	228,683	455,474	372,227
Matured life income	12,712	-	-	12,712	-
Total revenues	35,628,798	-	22,832,728	58,461,526	55,129,435
Expenditures and mandatory transfers:					
Educational and general:					
Instruction	4,456,288	-	9,815,464	14,271,752	13,836,011
Research	-	-	546,400	546,400	527,482
Public service	218,339	-	67,054	285,393	291,261
Academic support	2,376,344	-	784,699	3,161,043	2,837,690
Student services	4,130,950	-	1,354,487	5,485,437	5,191,756
Institutional support	5,705,224	-	411,987	6,117,211	6,064,888
Operation and maintenance of plant	2,595,350	-	89,022	2,684,372	2,692,066
Student aid, scholarships and prizes	2,515,513	-	9,708,871	12,224,384	11,049,006
Educational and general expenditures	21,998,008	-	22,777,984	44,775,992	42,490,160
Mandatory transfers for:					
Endowment	-	-	41,127	41,127	-
Principal and interest	890,595	-	-	890,595	776,979
Total educational and general	22,888,603	-	22,819,111	45,707,714	43,267,139
Auxiliary enterprises:					
Expenditures	4,125,347	-	13,617	4,138,964	4,029,348
Mandatory transfer for:					
Principal and interest	203,411	-	-	203,411	206,652
Renewals and replacements	38,802	-	-	38,802	38,802
Total auxiliary enterprises	4,367,560	-	13,617	4,381,177	4,274,802
Total expenditures & mandatory transfers	27,256,163	-	22,832,728	50,088,891	47,541,941
Other transfers and additions (deductions):					
Excess of restricted additions over expenditures	-	-	1,163,680	1,163,680	366,384
Transfers to plant funds	(8,006,852)	-	-	(8,006,852)	(7,098,204)
Transfers to quasi-endowment funds	(103,764)	(1,203,813)	(659,769)	(1,967,346)	(833,129)
Net increase (decrease) in fund balance	$ 262,019	(1,203,813)	503,911	(437,883)	22,545

See accompanying notes to financial statements.

MACALESTER COLLEGE

Notes to Financial Statements

May 31, 1995

(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

In 1985 the Board of Trustees of the College designated $1,203,813 of current unrestricted funds as an income stabilization fund, intended to provide a spending reserve for future time periods. By Board of Trustees' action, these funds have been transferred to quasi-endowment fund balance, where they will perform the same function.

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 & Amortization

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.

The College amortizes on a straight-line basis costs incurred for debt issues, discounts or premiums on bonds purchased as investments and discounts or premiums on bonds issued by the College. Amortization is calculated over the life of the bonds.

Federal Income Taxes

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

(1) Summary of Significant Accounting Policies, Continued

Accounting for Contributions and Financial Statement Display

In June 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.116, *Accounting for Contributions Received and Contributions Made* (SFAS 116), and Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS 117).

SFAS 116 establishes standards of accounting for contributions and applies to all entities that receive or make contributions. SFAS 116 requires contributions received and unconditional promises to give to be recognized as revenue in the period received at their fair values. Conditional promises to give are to be recognized when they become unconditional; that is, when the conditions are substantially met.

SFAS 117 establishes standards for reporting information in financial statements issued by not-for-profit organizations and requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows that focus on the entity as a whole. Amounts related to an organization's financial position and activities are to be reported in three classes of net assets - permanently restricted, temporarily restricted, and unrestricted.

SFAS 116 and SFAS 117 will be effective for the College's year ending May 31, 1996. The College is in the process of determining the impact of SFAS 116 and SFAS 117 on the presentation of its fiscal year 1996 financial statements.

(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, 1995, the market value of the net assets of the Fund was approximately at $376,238,703 ($371,619,602 principal investments, $67,226 principal cash, and $4,551,875 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 1995 total $75,200,059. This sum includes a grant of $15,295,000 for the fiscal year ended May 31, 1995.

(2) DeWitt Wallace Fund for Macalester College, Continued

As of May 31, 1995, $123,646,573 (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, 1995 (with comparative values at May 31, 1994) were as follows:

	1995	1994
Macalester College (at market)		
Cash equivalents	$ 7,501,002	7,148,684
Common stocks	85,558,146	77,990,910
Preferred stocks	5,175,986	7,241,193
Corporate bonds	34,695,695	33,169,374
U.S. Government obligations	98,046,367	95,115,869
Real estate, private equity, other	15,702,805	12,047,843
Subtotal market	246,680,001	232,713,873
Less units of Macalester endowment held by DeWitt Wallace Fund for Macalester College	(123,646,573)	(118,390,769)
Total market	$123,033,428	114,323,104
Total cost	$116,484,619	110,676,733
DeWitt Wallace Fund for Macalester College (at market)		
Common stock	$247,973,029	247,228,365
Units in the Macalester College endowment	123,646,573	118,390,769
Total market	$371,619,602	365,619,134
Total cost	$262,145,139	262,145,139

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

Included in the market value of preferred stocks at May 31, 1995, is $5,175,986 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, 1995, is $247,973,029 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 $9,310,000 which is controlled by independent trustees. For the year ended May 31, 1995, the College received $318,679 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, 1995, 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 $763,533 in excess of the spending rate for the year ended May 31, 1995 ($103,764 of unrestricted funds and $659,769 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 1994/95 grant was $500,000, 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.

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(6) Pledges

At May 31, 1995, the College had pledges outstanding from individuals, corporations and foundations totalling approximately $1,781,308. Under current accounting standards these gifts will be reflected in the financial statements of the College when received (see note 1).

(7) Plant Funds

Bonds, mortgages and notes payable of the plant funds at May 31, 1995 consist of the following:

Macalester College Dormitory Bonds of 1956 2-3/4%, final series due November 1, 1996 (original amount $800,000)	$ 56,000
Macalester College Dormitory Bonds of 1962 3-3/8%, final series due May 1, 2002 (original amount $2,850,000)	830,000
College Housing Program Mortgages at 3%, due in semi-annual installments of $19,022 including interest, through 2020 (original amount $880,200)	658,037
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
Minnesota Higher Education Facilities Authority variable rate demand revenue bond of 1994, weekly maturity and rate reset, 3.81% average for current fiscal year, total principal due 2024 (original amount $6,660,000)	6,660,000
	$23,874,037

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, 1995) 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 $453,751. The 1962 indenture also requires the College to transfer $30,000 annually to a repair and replacement reserve.

(7) Plant Funds, Continued

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.

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.

In September of 1994, $6,660,000 of variable rate demand revenue bonds were issued on behalf of the College by MHEFA. The bonds were initially issued with a weekly maturity and rate reset, but longer maturities as well as a fixed rate are optional.

Proceeds of the issue were 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.

Annual debt commitments (principal) at May 31, 1995, are as follows:

Fiscal year ending May 31,	Amount
1996	160,437
1997	337,994
1998	324,568
1999	335,158
2000	350,768
after 2000	22,365,112
	$23,874,037

Over the past eight years the Plant fund had borrowed funds totaling $3,101,236 from Current funds to finance renovations and equipment acquisitions. These interfund loans bore 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, 1995 is $ 0. All Current fund borrowings were paid in full as of December 31, 1994.

During the year ended May 31, 1994, the Plant fund purchased property from the High Winds fund for an expansion of campus athletic fields. An interfund debt was established, and paid off during the current year (see note 8).

Total interest costs on plant funds debt aggregated $1,331,650 ($116,220 due to interfund borrowing) during the year ended May 31, 1995.

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(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. As of May 31, 1995, the High Winds fund owned 37 properties surrounding the College campus. Subsequent to year end, the High Winds fund sold 28 properties to the Plant fund for $3,075,000. This sale will be reflected in the financial statements for the year ending May 31, 1996.

During the year ended May 31, 1994, 19 properties were sold to the Plant fund. An interfund debt was established and was interest bearing ($1,080,000 at 7% and $260,000 at 8%). During the current year this interfund debt was paid off.

During the year ended May 31, 1995, the High Winds fund charged Current fund approximately $116,600 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, 1995 was approximately $293,570.

Total pension expense for the year ended May 31, 1995 was $1,417,185 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.

Endowment Investment Performance *
Year Ended May 31, 1995

	Pooled Funds Market	Pooled Funds Cost	Nonpooled Funds Market	Nonpooled Funds Cost	Total Endowment Funds Market	Total Endowment Funds Cost
Net assets at May 31, 1995:						
Common stock	$ 79,613,446	67,062,154	247,993,509	157,137,893	327,606,955	224,200,047
Preferred stocks	5,175,986	4,497,895	-	-	5,175,986	4,497,895
Corporate bonds	31,611,236	28,894,381	-	-	31,611,236	28,894,381
U.S. Government obligations	97,004,508	90,716,834	57,827	54,965	97,062,335	90,771,799
Real estate	5,799,430	5,882,080	-	-	5,799,430	5,882,080
Other (including uninvested cash)	17,171,244	16,732,683	-	-	17,171,244	16,732,683
	236,375,850	213,786,027	248,051,336	157,192,858	484,427,186	370,978,885
Net assets at May 31, 1994	223,637,096		247,300,705		470,937,801	
Increase in net assets	12,738,754		750,631		13,489,385	
Less:						
Initial market value of additions	2,723,850		0		2,723,850	
Net gains for year	$ 10,014,904		750,631		10,765,535	
Net gains for the year consist of:						
Realized net gains	$ 2,370,824		0		2,370,824	
Unrealized net gains	7,644,080		750,631		8,394,711	
Total net gains for year	$ 10,014,904		750,631		10,765,535	
Pooled investments:						
Market value per unit, including excess endowment earnings funds:						
May 31, 1995	$ 15.12					
May 31, 1994	14.47					
Net gain per unit	$ 0.65					
Percent gain per unit	4.44%					
Total earnings, exclusive of gains	$ 13,146,636					
Total earnings per current year average units outstanding	$ 0.85					
Total earnings as a percent of average current market values	5.78%					
Total performance for year	10.22%					

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

See accompanying independent auditors' report.