ADDENDUM DATED JUNE 22, 1998

TO OFFICIAL STATEMENT DATED JUNE 4, 1998

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

$7,145,000

Minnesota Higher Education Facilities Authority (Macalester College)

Revenue Bonds, Series Four-U1

(Book Entry Only)

Schedule of Maturity Dates, Principal Amounts and Interest Rates

Maturity (March 1)	Amount	Interest Rate	Yield or Price	Maturity (March 1)	Amount	Interest Rate	Yield or Price
2000	$185,000	4.50%	3.90%	2008	$255,000	4.50%	Par
2001	$190,000	4.50%	4.00%	2009	$265,000	4.50%	4.55%
2002	$195,000	4.50%	4.10%	2010	$280,000	4.50%	4.60%
2003	$205,000	4.50%	4.15%	2011	$290,000	4.60%	4.70%
2004	$215,000	4.50%	4.20%	2012	$305,000	4.70%	4.80%
2005	$225,000	4.50%	4.25%	2013	$320,000	4.80%	4.90%
2006	$235,000	4.50%	4.30%	2014	$335,000	4.875%	4.95%
2007	$245,000	4.50%	4.40%				

$725,000 5.00% Term Bond due March 1, 2016 at Par.
$1,235,000 5.10% Term Bond due March 1, 2019 at Par.
$1,440,000 5.125% Term Bond due March 1, 2022 at 5.15%.

An underwriting syndicate managed by Piper Jaffray Inc., with joint manager Norwest Investment Services, Inc., and members Miller & Schroeder Financial, Inc., John G. Kinnard & Company Incorporated, Edward D. Jones & Company, and William Blair & Company, has agreed to purchase the Bonds from the Authority for an aggregate price of $7,068,366.25, plus accrued interest to the date of delivery.

THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE AUTHORITY DATED JUNE 4, 1998, WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE AUTHORITY WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

Original Issue Discount

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2009 through 2014 and the 2022 Term Bond (the "Discount Bonds") is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

Mandatory Redemption of Term Bonds

Bonds maturing on March 1, 2016, 2019, and 2022 shall be called for redemption on March 1 in the years 2015, 2017 and 2018, and 2020 and 2021, respectively, 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.

2016 Term Bond		2019 Term Bond		2022 Term Bond	
Year	Amount	Year	Amount	Year	Amount
2015	$355,000	2017	$390,000	2020	$455,000
2016*	$370,000	2018	$410,000	2021	$480,000
		2019*	$435,000	2022*	$505,000

* *Stated 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 2016, 2019, and 2022, 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.

ADDENDUM DATED JUNE 22, 1998

TO OFFICIAL STATEMENT DATED JUNE 4, 1998

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

$15,200,000*

Minnesota Higher Education Facilities Authority (Macalester College)

Revenue Bonds, Series Four-U2

(Book Entry Only)

Schedule of Maturity Dates, Principal Amounts and Interest Rates

Maturity (March 1)	Amount	Interest Rate	Yield or Price	Maturity (March 1)	Amount	Interest Rate	Yield or Price
1999	$490,000	4.50%	3.70%	2007	$515,000	4.50%	4.40%
2000	$265,000	4.50%	3.90%	2008	$540,000	4.50%	Par
2001	$270,000	4.50%	4.00%	2009	$560,000	4.50%	4.55%
2002	$285,000	4.50%	4.10%	2010	$585,000	4.50%	4.60%
2003	$430,000	4.50%	4.15%	2011	$615,000	4.60%	4.70%
2004	$455,000	4.50%	4.20%	2012	$645,000	4.70%	4.80%
2005	$470,000	4.50%	4.25%	2013	$680,000	4.80%	4.90%
2006	$490,000	4.50%	4.30%	2014	$710,000	4.875%	4.95%

$1,545,000 5.00% Term Bond due March 1, 2016 at Par.
$2,615,000 5.10% Term Bond due March 1, 2019 at Par.
$3,035,000 5.125% Term Bond due March 1, 2022 at 5.15%.

An underwriting syndicate managed by Piper Jaffray Inc., with joint manager Norwest Investment Services, Inc., and members Miller & Schroeder Financial, Inc., John G. Kinnard & Company Incorporated, Edward D. Jones & Company, and William Blair & Company, has agreed to purchase the Bonds from the Authority for an aggregate price of $15,031,140.01, plus accrued interest to the date of delivery.

* *Reflects final issue amount.*

THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE AUTHORITY DATED JUNE 4, 1998, WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE AUTHORITY WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

Original Issue Discount

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2009 through 2014 and the 2022 Term Bond (the "Discount Bonds") is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

Mandatory Redemption of Term Bonds

Bonds maturing on March 1, 2016, 2019, and 2022 shall be called for redemption on March 1 in the years 2015, 2017 and 2018, and 2020 and 2021, respectively, 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.

2016 Term Bond		2019 Term Bond		2022 Term Bond	
Year	Amount	Year	Amount	Year	Amount
2015	$755,000	2017	$830,000	2020	$ 960,000
2016*	$790,000	2018	$870,000	2021	$1,010,000
		2019*	$915,000	2022*	$1,065,000

* *Stated 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 2016, 2019, and 2022, 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.

OFFICIAL STATEMENT DATED JUNE 4, 1998

NEW ISSUES
(Book Entry Only)

Ratings: Requested from Moody's Investors Service

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" herein.)

Minnesota Higher Education Facilities Authority
(Macalester College)

$7,145,000
Revenue Bonds, Series Four-U1
(the "Series Four-U1 Bonds")

$15,185,000*
Revenue Bonds, Series Four-U2
(the "Series Four-U2 Bonds")

Dated Date: July 1, 1998

Interest Due: Each March 1 and September 1, commencing March 1, 1999

The **Series Four-U1 Bonds** will mature March 1, as follows:

2000	$185,000	2005	$225,000	2010	$280,000	2015	$355,000	2019	$435,000
2001	$190,000	2006	$235,000	2011	$290,000	2016	$370,000	2020	$455,000
2002	$195,000	2007	$245,000	2012	$305,000	2017	$390,000	2021	$480,000
2003	$205,000	2008	$255,000	2013	$320,000	2018	$410,000	2022	$505,000
2004	$215,000	2009	$265,000	2014	$335,000				

The **Series Four-U2 Bonds** will mature March 1, as follows:

1999	$490,000	2004	$455,000	2009	$560,000	2014	$710,000	2019	$ 915,000
2000	$265,000	2005	$470,000	2010	$585,000	2015	$750,000	2020	$ 960,000
2001	$270,000	2006	$490,000	2011	$615,000	2016	$785,000	2021	$1,010,000
2002	$285,000	2007	$515,000	2012	$645,000	2017	$825,000	2022	$1,065,000
2003	$430,000	2008	$540,000	2013	$680,000	2018	$870,000		

* *The Authority reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Series Four-U2 Bonds offered for sale. Any such increase or reduction will be in a total amount not to exceed $300,000 and will be made in multiples of $5,000 in any of the maturities. In the event the principal amount of the Series Four-U2 Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Series Four-U2 Bonds is increased or reduced.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption.

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.

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

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the initial Purchaser(s) of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than 105% until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale.

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 subject to the approval of legality by Faegre & Benson LLP, 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 July 15, 1998.

PROPOSALS RECEIVED: June 17, 1998 (Wednesday) at 11:00 A.M., Central Time
AWARD: June 17, 1998 (Wednesday) at 2:00 P.M., Central Time

SPRINGSTED
Public Finance Advisors

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101-2887 (612) 223-3000

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

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Official Statement and the addendum or addenda described in the preceding paragraph in the amount specified in the Terms of Proposal.

The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a Proposal with respect to the Bonds agrees thereby that if its bid is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Authority or the College to give any information or to make any representations with respect to the Bonds, other than as contained in the Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. Certain information contained in the Official Statement may have been obtained from sources other than records of the Authority and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE COLLEGE SINCE THE DATE THEREOF.

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Mollie N. Thibodeau, Chair	CFRE, Fund Raising Consultant, Duluth, Minnesota
James R. Miller, Vice Chair	Owner and CEO, James Miller Investment Realty Company, St. Paul, Minnesota
Dr. John S. Hoyt, Jr., Secretary	CEO, Effective Golf Course Systems, Inc., Edina, Minnesota
Jack Amundson	CPA, Partner, Larson, Allen, Weishair & Co., LLP, St. Cloud, Minnesota
Dr. Kathryn Balstad Brewer	Independent Scholar; New Brighton, Minnesota; Formerly Senior Vice President With FBS Investment Services, Inc.
Kenneth Johnson	Principal/Corporate President, the STANIUS JOHNSON architects, inc., Duluth, Minnesota
Dr. David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, St. Paul, Minnesota
Timothy Medd (Ex Officio)	Audit Supervisor, Minnesota Higher Education Services Office, St. Paul, Minnesota
Tom Martinson	Principal, City Planning & Economic Development, Minneapolis, Minnesota
Christopher A. Nelson	Attorney in private practice, St. Louis Park, Minnesota

J. Luther Anderson, Executive Director

Bond Counsel
Faegre & Benson LLP

Financial Advisor
Springsted Incorporated

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TERMS OF PROPOSAL

$7,145,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES FOUR-U1
(MACALESTER COLLEGE)

(BOOK ENTRY ONLY)

Proposals for the Series Four-U1 Bonds will be received by J. Luther Anderson, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or his duly appointed representative on Wednesday, June 17, 1998, until 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690, after which time they will be opened and tabulated. Consideration for award of the Series Four-U1 Bonds will be by the Executive Director of the Authority not later than 2:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 223-3002 to Springsted Incorporated ("Springsted"). Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The prospective purchaser shall be responsible for submitting to Springsted the final Proposal price and coupons, by telephone (612) 223-3000 or fax (612) 223-3002 for inclusion in the submitted Proposal. Springsted will assume no liability for the inability of the proposer to reach Springsted prior to the time of sale specified above.

DETAILS OF THE BONDS

The Bonds will be dated July 1, 1998, as the date of original issue, and will bear interest payable on March 1 and September 1 of each year, commencing March 1, 1999. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

2000	$185,000	2006	$235,000	2012	$305,000	2018	$410,000
2001	$190,000	2007	$245,000	2013	$320,000	2019	$435,000
2002	$195,000	2008	$255,000	2014	$335,000	2020	$455,000
2003	$205,000	2009	$265,000	2015	$355,000	2021	$480,000
2004	$215,000	2010	$280,000	2016	$370,000	2022	$505,000
2005	$225,000	2011	$290,000	2017	$390,000		

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the proposal must specify "Last Date of Serial Maturities" and "Dates of Term Maturities" in the spaces provided on the Proposal Form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

TRUSTEE

Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as trustee, registrar and paying agent.

OPTIONAL REDEMPTION

The Authority may elect on March 1, 2007, and on any day thereafter to redeem Bonds due on or after March 1, 2008. 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 are subject to redemption in whole or in part on any date in certain events of damage, destruction, or condemnation described in a Loan Agreement between the College and the Authority and a Trust Indenture between the Authority and the Trustee, or in whole or in part on any date in the event of a Determination of Taxability as defined therein. All optional redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged thereto pursuant to the Trust Indenture. Pursuant to the Loan Agreement, Loan Repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due 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 proceeds will be used, together with other funds of the College, to construct and equip a new Campus Center on the campus of the College.

TYPE OF PROPOSALS

Proposals shall be for not less than $7,059,260 and accrued interest on the total principal amount of the Bonds. Proposals shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of $71,450, payable to the order of the Authority. If a check is used, it must accompany such Proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted prior to the opening of the Proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a purchaser using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted in the form of a certified or cashier's check or wire transfer as instructed by Springsted not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the Authority. No proposal can be withdrawn or amended after the time set for receiving Proposals unless the Executive Director on behalf of the Authority, does not award the Bonds by 2:00 P.M., Central Time, on June 17, 1998. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

REOFFERING OF BONDS

The Authority represents that, prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The purchaser will be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell any of the Bonds in Minnesota at a price or prices higher than 105% without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the purchaser may make an "offer" but agrees not to make a "sale" (including any contract to sell) of any Bonds to its customers, as such terms are defined in the Minnesota Securities Act, at prices greater than 105%. Without limiting the generality of the foregoing, the purchaser shall agree not to mail or deliver any confirmations to customers or request the payment of funds from customers in Minnesota with respect to any Bonds reoffered at prices greater than 105% until such time as such amendment to the Order of Registration is effective.

If the purchaser represents by letter to the Authority that it is purchasing the Bonds for investment and not with a view to redistribution thereof, the above shall not apply.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Authority's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

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

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the purchaser, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

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

CONTINUING DISCLOSURE

The College and Trustee will enter into a Continuing Disclosure Agreement to provide, or cause to be provided, annual financial information, including audited financial statements of the College, and notices of certain material events, as required by SEC Rule 15c2-12.

SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the Authority and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Faegre & Benson LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the College by its counsel, Moore, Costello & Hart, P.L.L.P., St. Paul and Minneapolis, Minnesota. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Authority or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority or the College, or their respective agents, the purchaser shall be liable to the Authority and the College for any loss suffered by the Authority or the College by reason of the purchaser's non-compliance with said terms for payment.

OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (612) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 280 copies of the Official Statement and the addendum or addenda described above. The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated May 20, 1998

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ J. Luther Anderson
Executive Director

TERMS OF PROPOSAL

$15,185,000*

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES FOUR-U2

(MACALESTER COLLEGE)

(BOOK ENTRY ONLY)

Proposals for the Series Four-U2 Bonds will be received by J. Luther Anderson, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or his duly appointed representative on Wednesday, June 17, 1998, until 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690, after which time they will be opened and tabulated. Consideration for award of the Series Four-U2 Bonds will be by the Executive Director of the Authority not later than 2:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 223-3002 to Springsted Incorporated ("Springsted"). Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The prospective purchaser shall be responsible for submitting to Springsted the final Proposal price and coupons, by telephone (612) 223-3000 or fax (612) 223-3002 for inclusion in the submitted Proposal. Springsted will assume no liability for the inability of the proposer to reach Springsted prior to the time of sale specified above.

DETAILS OF THE BONDS

The Bonds will be dated July 1, 1998, as the date of original issue, and will bear interest payable on March 1 and September 1 of each year, commencing March 1, 1999. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

1999	$490,000	2005	$470,000	2011	$615,000	2017	$ 825,000
2000	$265,000	2006	$490,000	2012	$645,000	2018	$ 870,000
2001	$270,000	2007	$515,000	2013	$680,000	2019	$ 915,000
2002	$285,000	2008	$540,000	2014	$710,000	2020	$ 960,000
2003	$430,000	2009	$560,000	2015	$750,000	2021	$1,010,000
2004	$455,000	2010	$585,000	2016	$785,000	2022	$1,065,000

* *The Authority reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be in a total amount not to exceed $300,000 and will be made in multiples of $5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the proposal must specify "Last Date of Serial Maturities" and "Dates of Term Maturities" in the spaces provided on the Proposal Form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

TRUSTEE

Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as trustee, registrar and paying agent.

OPTIONAL REDEMPTION

The Authority may elect on March 1, 2007, and on any day thereafter to redeem Bonds due on or after March 1, 2008. 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 are subject to redemption in whole or in part on any date in certain events of damage, destruction, or condemnation described in a Loan Agreement between the College and the Authority and a Trust Indenture between the Authority and the Trustee, or in whole or in part on any date in the event of a Determination of Taxability as defined therein. All optional redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged thereto pursuant to the Trust Indenture. Pursuant to the Loan Agreement, Loan Repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due 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 proceeds will be used, together with other funds of the College, to refund in advance of maturity the 1999 through 2022 maturities of the Minnesota Higher Education Facilities Authority Revenue Bonds (Macalester College), Series Three-J, dated June 1, 1992.

TYPE OF PROPOSALS

Proposals shall be for not less than $15,002,780 and accrued interest on the total principal amount of the Bonds. Proposals shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of $151,850, payable to the order of the Authority. If a check is used, it must accompany such Proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted prior to the opening of the Proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted in the form of a certified or cashier's check or wire transfer as instructed by Springsted not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the Authority. No proposal can be withdrawn or amended after the time set for receiving Proposals unless the Executive Director on behalf of the Authority, does not award the Bonds by 2:00 P.M., Central Time, on June 17, 1998. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

REOFFERING OF BONDS

The Authority represents that, prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The purchaser will be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell any of the Bonds in Minnesota at a price or prices higher than 105% without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the purchaser may make an "offer" but agrees not to make a "sale" (including any contract to sell) of any Bonds to its customers, as such terms are defined in the Minnesota Securities Act, at prices greater than 105%. Without limiting the generality of the foregoing, the purchaser shall agree not to mail or deliver any confirmations to customers or request the payment of funds from customers in Minnesota with respect to any Bonds reoffered at prices greater than 105% until such time as such amendment to the Order of Registration is effective.

If the purchaser represents by letter to the Authority that it is purchasing the Bonds for investment and not with a view to redistribution thereof, the above shall not apply.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Authority's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

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

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

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

CONTINUING DISCLOSURE

The College and Trustee will enter into a Continuing Disclosure Agreement to provide, or cause to be provided, annual financial information, including audited financial statements of the College, and notices of certain material events, as required by SEC Rule 15c2-12.

SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the Authority and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Faegre & Benson LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the College by its counsel, Moore, Costello & Hart, P.L.L.P., St. Paul and Minneapolis, Minnesota. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Authority or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority or the College, or their respective agents, the purchaser shall be liable to the Authority and the College for any loss suffered by the Authority or the College by reason of the purchaser's non-compliance with said terms for payment.

OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (612) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 600 copies of the Official Statement and the addendum or addenda described above. The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated May 20, 1998

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ J. Luther Anderson
Executive Director

OFFICIAL STATEMENT

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY (MACALESTER COLLEGE)

$7,145,000	**$15,185,000***
Revenue Bonds, Series Four-U1	**Revenue Bonds, Series Four-U2**

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 $7,145,000 Revenue Bonds, Series Four-U1 (Macalester College) (the "Series Four-U1 Bonds") and $15,185,000* Revenue Bonds, Series Four-U2 (Macalester College) (the "Series Four-U2 Bonds"), collectively, the "Bonds" or the "Issues".

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 Issues.

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 Series Four-U1 Bonds will be loaned to the College by the Authority to be used, together with other funds of the College, for the acquisition, construction and equipping of an approximately 68,000 square foot multi-purpose Campus Center (the "Campus Center"), including related site improvements and demolition of existing structures and improvements, all owned or to be owned and operated by the College and located on the Project Site, (the "Project").

The proceeds of the Series Four-U2 Bonds will be loaned to the College by the Authority to refund, in advance of maturity, the 1999 through 2022 maturities of the Authority's Revenue Bonds, Series Three-J (Macalester College) (the "Series Three-J Bonds") issued on behalf of the College and dated June 1, 1992. See "PURPOSE OF THE ISSUES," herein, for a more detailed description of the use of Bond proceeds.

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.

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* *Subject to change.*

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 by the Authority to the Trustee of amounts payable by the College under the Loan Agreement. No mortgage lien on or security interest in any College property has been granted to secure payment of the Bonds. 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-18.)

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.

Construction Risk

Construction on the Campus Center will not commence until June 1, 1999 and no guaranteed price contract is in place. The College does not expect to enter into a construction contract until March 1999. Therefore, there is a risk of the actual construction cost increasing above current estimates, which could affect the ability of the College to complete the Campus Center without providing additional moneys either from an additional bond issue or available College funds. The College is aware of contamination of the soil and groundwater at the site of the Campus Center; therefore, additional costs for remediation of environmental contamination may also exceed the amounts estimated for such remediation which are included in the estimated construction costs of the Campus Center and such excess could be material. (See "PURPOSE OF THE ISSUES—The Series Four-U1 Bonds and the Project," herein.)

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 Underwriters 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. A failure by the College to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may have other remedies in the event of noncompliance). 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 July 1, 1998 and will mature annually each March 1, commencing March 1, 1999, 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, 1999.

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

At the request of the College, the Authority may elect on March 1, 2007, and on any day thereafter, to prepay Bonds due on or after March 1, 2008. 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 as directed by the College. 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").

<u>Partial Redemption</u>

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 either or both series of Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the affected Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the respective dates on which the principal of the affected Bonds is paid. See "Tax Exemption" and Appendix IV, "DEFINITION OF CERTAIN TERMS."

If a Determination of Taxability should occur, any monetary damages or loss resulting from or incident thereto shall be limited to the additional interest payable on the affected Bonds.

The College will have the option to prepay, to the extent that interest on either or both series of Bonds becomes subject to federal income taxes, the Loan represented by the affected series of Bonds, in full or in part on the next date for which due notice can be given or any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

Additional Bonds

In addition to the Bonds, the Authority may in its discretion and at the direction of the College issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided that no such Additional Bonds will be issued under the Indenture or secured by the Trust Estate on a parity with the Bonds then outstanding unless:

1. The exclusion of interest on the outstanding Bonds from gross income of the holders of the Bonds for purposes of federal income taxation under the Code shall not be jeopardized by the issuance of the Additional Bonds.

2. Supplements to the Loan Agreement and Indenture are executed and delivered describing the Additional Bonds as additional indebtedness secured thereby.

3. No Default or Event of Default on the part of the College exists under the Loan Agreement.

4. The College furnishes evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

(Preliminary; subject to change.)

Sources:	
Series Four-U1 Bonds	$ 7,145,000
Series Four-U2 Bonds	15,185,000
College Funds	10,502,050
Series Three-J Bond Reserve	1,300,120
Total Sources	$34,132,170
Uses:	
Cost of Campus Center	$17,500,000
Escrow Account for Series Three-J Bonds	16,234,755
Allowance for Underwriter's Discount	267,960
Issuance Costs	129,455
Total Uses	$34,132,170

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 ISSUES

The Series Four-U1 Bonds and the Project

Net proceeds of the Series Four-U1 Bonds and additional funds of the College will finance the construction of an approximately 68,000 square foot Campus Center to replace the Student Union building constructed in 1950. The College anticipates commencing construction of the Campus Center in June 1999, with completion by June 2001.

The new Campus Center, a 68,000 square foot, multi-purpose facility, will serve as the central place for campus meeting and daily interaction and will support the everyday needs of the community, such as dining and mail service. The three-floor facility will provide a common space for the entire community and will include flexible dining options, seven seminar rooms to support campus and conference activities, office space for student organizations and student life staff, a 270-seat lecture hall supported by a projection booth and staging area, U.S. and campus mail service, campus duplicating services, and a small bookstore featuring Macalester memorabilia and convenience items. The design of the building emphasizes openness and natural light with ample space for lounging. The new building has been designed to draw people and ideas together to strengthen a sense of community at Macalester.

The entire cost of the Project is estimated to be approximately $17,500,000. The College will pay the balance of costs not paid from Bond proceeds with other funds of the College.

The College has retained the firm of Shepley Bulfinch Richardson and Abbott as the architect to design the Campus Center. Shepley Bulfinch Richardson and Abbott is one of the oldest continuously-practicing architectural firms in the country and the oldest in the city of Boston. The firm provides architecture, interior design and planning services, with particular expertise in the design of academic buildings, libraries, medical facilities and corporate structures.

The College expects to negotiate a guaranteed maximum price for construction of the Campus Center with the Kraus Anderson Construction Company by March 1999.

The College expects that the site for the Campus Center will require remediation of hazardous substances. Petroleum compounds, including gasoline and benzene, are present in the groundwater and in the soil near the groundwater. Based on its consultant's findings, the College believes the contaminants have migrated to the site through groundwater flow from off the College's campus. The construction cost estimates include amounts for remediation, which the College believes are reasonable. However, the extent of the contamination will not be fully known until the site is excavated, and the contamination could have a material and adverse effect on the College's financial condition, the Campus Center construction, and its cost.

The Series Four-U2 Bonds

Proceeds of the Series Four-U2 Bonds, together with funds on deposit in certain funds and accounts of the Series Three-J Bonds will be deposited in an Escrow Account to provide for payment of principal and interest on the Series Three-J Bonds to the redemption date of March 1, 2002 and redemption of the Series Three-J Bonds called prior to maturity at a price of par plus accrued interest.

At the Closing Date, Series Four-U2 Bond proceeds together with balances in the reserve fund and other accounts held by the Series Three-J Trustee will be deposited in an Escrow Account to be established pursuant to an Escrow Agreement among the Trustee, the Series Three-J Trustee as Escrow Agent, the College and the Authority. The Escrow Account will be funded with cash and securities sufficient to provide for defeasance of the Series Three-J Bonds. In accordance with the trust indenture for the Series Three-J Bonds, the Series Three-J Bonds will no longer be considered outstanding under the indenture upon such deposit for prepayment and will be secured solely by and payable solely from the Escrow Account.

Verification services necessary to ensure the adequacy of the Escrow Account to provide timely payment of the debt service for which the Escrow Account is obligated will be performed by McGladrey & Pullen, L.L.P., Certified Public Accountants.

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 a pledge by the Authority to the Trustee 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 Series Four-U1 Bonds are to be deposited into the Construction Account. Accrued interest on the Bonds, if any, will be deposited in the Bond and Interest Sinking Fund Account.

Net proceeds of the Series Four-U2 Bonds, excluding accrued interest, will be deposited into the Escrow Account and to a Costs of Issuance subaccount of the Construction 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 Series Four-U1 Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account. In addition to such proceeds of the Series Four-U1 Bonds, by the Loan Agreement, the College has covenanted that it will provide and apply additional funds, if any, which, together with Series Four-U1 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 Series Four-U1 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 the 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 Series Four-U1 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 Series Four-U1 Bonds.

Project Costs shall be paid only upon written order of the Authorized Institution Representative provided that interest accruing on the Series Four-U1 Bonds during the Construction Period may be paid from the Construction Account.

A subaccount of the Construction Account is also created pursuant to the Indenture to be funded with proceeds of the Series Four-U2 Bonds and applied to pay costs of issuance related to the Series Four-U2 Bonds. Moneys in the subaccount not used for costs of issuance will be transferred to the Bond and Interest Sinking Fund 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, if any, on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be made at least one Business Day prior to each March 1 on which a sinking fund 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 Construction Account, Bond and Interest Sinking Fund Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which are generally as follows currently: 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, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States Government, its agencies, state and local governments; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the rating category of "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 Joseph E. LaBelle, who retired after serving as Executive Director since the inception of the Authority. Mr. Anderson was formerly a Senior Vice President with Springsted Incorporated.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $500 million. The Authority has had 106 issues (including refunded and retired issues) totaling $618,289,189 of which $356,905,625 (excluding the Bonds) is outstanding as of June 1, 1998. An additional $25,000,000 is authorized but unissued as of this date. 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.

RATINGS

Application for ratings of the Bonds has been made to Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York. If ratings are assigned, they will reflect only the opinion of Moody's. Any explanation of the significance of the ratings may be obtained only from Moody's.

There is no assurance that ratings, if assigned, will continue for any given period of time, or that such ratings will not be revised or withdrawn if, in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the ratings 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 LLP 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 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, 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 LLP, Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE COLLEGE

Macalester College is a four-year, co-educational, liberal arts institution located in Saint Paul, Minnesota. The legislature of the State of Minnesota granted a charter to the College in 1874 and the College opened on September 15, 1885. The College is affiliated with the Presbyterian Church (USA). The 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.

The College offers a variety of four year programs leading to a Bachelor of Arts degree and is accredited by the North Central Association of Colleges and Secondary Schools 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 32 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.

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The President

Michael S. McPherson is President of Macalester College. From 1994 to 1996 he was Dean of the Faculty at Williams College. He is currently serving on the Board of Trustees for the College Board. Earlier, he served as Chair of the Williams Economics Department, as a Senior Fellow in Economic Studies at the Brookings Institution and as a Fellow of the Institute for Advanced Study in Princeton. Dr. McPherson has written widely on topics in ethics and economics and in the economics of higher education. He served as one of the founding editors of the journal *Economics and Philosophy*, published by Cambridge University Press. He is co-author of four recent books, *Keeping College Affordable: Government and Educational Opportunity* (Brookings, 1991), *Paying the Piper: Productivity, Incentives and Financing in American Higher Education* (University of Michigan Press, 1993), *Economic Analysis and Moral Philosophy* (Cambridge University Press, 1996), and *The Student Aid Game: Meeting Need and Rewarding Talent in American Higher Education* (Princeton University Press, January 1998).

Provost of the College

A. Wayne Roberts is the Chief Academic Officer of the College. A member of the College faculty for 30 years, and for eight years Chair of the Department of Mathematics and Computer Science, Dr. Roberts was appointed Provost of the College in July 1995. He is the author of five books and the editor of six other books. Dr. Roberts has been a highly visible participant in the Mathematics Association of America and was awarded the MAA North Central Section Citation for Meritorious Service in 1996.

Treasurer of the College

Craig H. Aase is Vice President for Administration and Treasurer of the College and has been at the College for 21 years. Mr. Aase reports to the President and is responsible for coordinating the development and control of the College's budget, cash management, financial aid, physical plant and off-campus properties, human resources, and the business office. He serves as staff liaison to 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 Senior Staff

Craig H. Aase, Vice President for Administration and Treasurer
Richard A. Ammons, Vice President for College Advancement
Joel G. Clemmer, Vice President for Library and Information Technology
Laurie B. Hamre, Dean of Students
Alexander G. Hill, Assistant to the President and Secretary to the Board of Trustees
Roberto N. Ifill, Special Assistant to the President for Diversity and Campus Community
A. Wayne Roberts, Provost

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. Since 1988, the College has invested over $80 million in renovation of campus facilities and expansion of campus boundaries. Projects have included new and expanded athletic fields ($3 million in 1995), major renovation and expansion of two science halls ($22 million in 1997), construction of a technology center ($6 million in 1992), a new residence hall ($6 million in 1997), and numerous renovations.

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.

<u>Academic Buildings</u>

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 completed to provide a technology center in 1992.

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 (1961)/Rice (1970) Science Complex – completely renovated and enlarged over two years (1995-1997), this Complex houses the departments of Chemistry, Math/Computer Science, Physics/Astronomy, Biology, Geology, and Psychology, as well as an observatory and greenhouse.

<u>Administrative Support Buildings</u>

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. The College will demolish the Student Union in June 1999 to facilitate construction of the Campus Center.

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.

<u>Residence Halls</u>

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

Dayton Hall (1956) - 61 rooms, housing 113 residents. (Will be demolished in 1999 to provide a site for the new campus center).

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.

New Residence Hall (1997) - 20 suites, housing 113 students, completed in July 1997, as a replacement for Dayton Hall.

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.

<u>Deferred Maintenance</u>

As a result of ten years of extensive campus renovation projects, deferred maintenance on campus buildings is estimated to be less than $5 million.

Academic Information

Macalester College follows the early semester academic calendar of two 14-week semesters during the academic year. The normal student course load is considered to be four courses for 16 hours of credit during each of the fall and spring semesters. 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 Number of Students
Actual:	1993	1,761	1,836
	1994	1,740	1,796
	1995	1,719	1,768
	1996	1,742	1,797
	1997	1,723	1,774

Geographical Distribution of Student Body

Following is the geographic distribution of full-time students for Fall Term, 1997:

Place of Origin	Number of Students
Minnesota	438
Wisconsin	128
Illinois	76
Iowa	60
New York	31
Massachusetts	23
California	51
Washington	49
Ohio	35
Michigan	34
Other States	656
International	193
Total	1,774

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
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
1996	3,132	1,718	55	491	29	1,282
1997	3,136	1,683	54	452	27	1,312

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
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	77
1992	475	91	81	79	69	76
1993	452	89	79	78	69	
1994	452	88	80	78		
1995	437	89	83			
1996	491	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 1993-94 through 1998-99.

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Tuition and Fees*	$15,107	$16,010	$16,686	$17,708	$18,758	$19,801
Room	2,340	2,480	2,585	2,740	2,820	2,905
Full Board	2,162	2,292	2,390	2,535	2,610	2,688
Total	$19,609	$20,782	$21,661	$22,983	$24,188	$25,394

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

1997-98 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	$21,792	$208	$3,854	$3,646	$29,500
Williams College	22,889	161	3,130	3,170	29,350
Wesleyan University (Connecticut)	22,230	750	3,670	2,540	29,190
Amherst College	22,680	427	3,000	3,000	29,107
Bowdoin College	22,460	445	2,720	3,395	29,020
Pomona College*	20,500	180		8,180	28,860
Haverford College	21,534	206	3,860	3,210	28,810
Oberlin College	22,282	156	3,166	3,192	28,796
Smith College	21,360	152	3,270	3,980	28,762
Reed College	22,180	160	3,200	3,000	28,540
Wellesley College	21,254	406	3,400	3,270	28,330
Carleton College	21,750	135	1,923	2,517	26,325
Occidental College	19,800	314	3,230	2,960	26,304
Lawrence College	20,274	129	2,025	2,685	25,116
Colorado College	19,988	0	2,682	2,418	25,088
Macalester College	**18,630**	**128**	**2,820**	**2,610**	**24,188**
Grinnell College	17,142	426	2,342	2,810	22,720
St. Olaf College	16,500	0	1,820	2,200	20,520

* *Room and board combined.*

Source: *Higher Education Data Survey and individual colleges.*

Faculty and Staff

The teaching student-faculty ratio for 1997-98 was 10.8 to 1. There are no religious or denominational prerequisites or any participatory religious requirements for faculty or staff membership. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors ("AAUP") and the Association of American Colleges.

The College employs 144 full-time and 61 part-time teaching faculty. The total faculty payroll for Fiscal Year 1997-98 was approximately $11,900,000 including benefits.

Salaries of Full-Time Instructional Faculty – 1997-98

Academic Rank	Number of Faculty	Average Total Compensation*
Professor	51.0	$92,950
Associate Professor	41.5	71,699
Assistant Professor	44.5	55,398
Instructor	7.0	43,165

* *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, 136 hold Ph.D's or the highest degree in their field. Approximately 60% 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 44 employees, represents custodians, groundspersons, and skilled crafts positions. The engineer unit, composed of 10 employees, represents maintenance and operating engineers. The two current agreements both expire on August 31, 1999 with a reopening for wages only on August 31, 1998. 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 faculty and staff employees not fully covered by other plans. The unfunded liability under the supplemental plan at May 31, 1997 was approximately $271,000. Total pension expense for the year ended May 31, 1997 was approximately $1,591,000 including $37,000 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 1996/97 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.

The following table shows 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.

	1992-93	1993-94	1994-95	1995-96	1996-97
Grants	$ 8,664,000	$ 9,940,000	$11,168,000	$12,639,000	$12,974,000
Loans	1,966,000	2,380,000	2,306,000	2,341,000	2,607,000
Work-Study	1,383,000	1,412,000	1,410,000	1,498,000	1,574,000
Total	$12,013,000	$13,732,000	$14,884,000	$16,478,000	$17,155,000
Percent of Full-Time Students Receiving Aid	74%	75%	76%	76%	76%
Average Award Per Recipient	$9,392	$10,610	$11,379	$12,690	$13,140

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. One director position is currently vacant. The governing board of the Wallace Fund currently consists of the President of the College, two 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, 1997, the market value of the net assets of the Wallace Fund was estimated at $296,371,000 (see Note 3 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, 1997, approximately one-half 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.

In February of 1998, the Wallace Fund entered into a sale agreement for 3,425,000 shares of Reader's Digest common stock. The sale was executed via a Trust Automatic Common Exchange Securities (TRACES) offering. As the result of this sale, the Wallace Fund received initial proceeds of $59.2 million, and will continue to receive any dividends paid for three years on the sold shares. The Wallace Fund will also receive all of the first $3.50 of any share price appreciation of the sold shares and 13% of appreciation beyond that amount, as of February 15, 2001. As with prior stock sales by the Wallace Fund, the proceeds of the TRACES sale were added to the College's diversified investment pool. After this sale the remaining Reader's Digest shares make up approximately 25% of the Wallace Fund assets, and 15% of the combined assets of the College and Wallace Fund of approximately $448 million, exclusive of the future dividends and price appreciation of the sold shares described above (the "Residual Proceeds").

The College's 1997-98 operating budget includes $17,270,000 in distributions from the Wallace Fund. Distributions for operations for fiscal year 1996-97 totaled $17,620,000. The expected distribution for fiscal year 1998-99 is reduced to $13,900,000. This reduction in the expected distribution is the result of a number of factors—a reduction of 50% in the Reader's Digest Association stock dividend, the February 1998 sale of approximately 55% of the Wallace Fund's holdings of Reader's Digest stock and the investment of proceeds under College management, and the Wallace Fund's adoption of formula-based spending on all assets. Adoption of formula-based spending is expected to utilize a set percentage of market value of all assets of the fund, regardless of current yield.

The President of the College has regularly requested, and the governing board of the Wallace Fund has agreed to, restrictions on the annual distribution from the Wallace Fund 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 reduce distributions, make distributions to other parties 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.

Market Value of Endowment Assets

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

Fiscal Year	Wallace Fund	College Endowment	Total
1993	$373,275,594	$103,080,382	$473,355,976
1994	365,619,134	105,318,667	470,937,801
1995	371,619,602	112,807,584	484,427,186
1996	384,175,380	123,646,774	507,822,154
1997	291,734,946	137,925,958	429,660,904

A major portion of the Wallace Fund has historically been invested in Reader's Digest non-voting common stock. Recent declines in the share price of the RDA stock led to the reduced 1997 valuations. The March 1998 market value of the College endowment and the Wallace Fund was approximately $448 million, exclusive of the Residual Proceeds of the TRACES sale. See "The DeWitt Wallace Fund for Macalester College." Approximately $69 million remains in Reader's Digest stock, with the balance invested in a portfolio of approximately 70% diversified equity assets and 30% fixed income assets.

According to a survey conducted by the National Association of College and University Business Officers (NACUBO), the College ranked 71st among 495 higher education institutions and foundations reporting on the total market value of total endowment assets at the end of Fiscal Year 1997 and is the twelfth 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
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
1996	1,390,127	793,092	864,272	1,237,578	659,182	4,944,251
1997	1,596,276	1,244,721	1,650,204	109,514	5,244,236	9,844,951

Presentation of Financial Statements

For the year ended May 31, 1996, the College adopted three new Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board. Together the new statements significantly alter the appearance and content of private college and university financial statements. These changes in presentation make it difficult to draw comparisons between the financial statement for the fiscal years ended prior to May 31, 1996, and the financial statements for 1996 and thereafter.

SFAS #116, *Accounting for Contributions Received and Contributions Made*, has two significant aspects. The first is a requirement to record certain specifically verifiable donor promises as revenues in the period the promises are received, and to reflect the promises as receivables of the College. This contrasts with the previous practice of recording contributions when the actual cash or property was received. The College prospectively adopted the provisions of SFAS #116, which is shown as a cumulative effect of change in accounting principals. The total amount reported as pledges receivable year ended May 31, 1996, was $5,292,000. This amount includes $1,528,000 from prior years.

The second aspect of SFAS #116 is the requirement to record contributions into one of three classes of net assets: permanently restricted, temporarily restricted or unrestricted, based on the existence or absence of donor imposed restrictions.

SFAS #117, *Financial Statements for Not-for-Profit Organizations*, is intended to make financial statements of not-for-profit organizations more understandable to users of those statements, and requires that the financial statements of all not-for-profit organizations include a statement of position, a statement of activities and a statement of cash flows. Such financial statements focus on the College as a whole and present balances and transactions according to the existence or absence of donor imposed restrictions, and again classify fund balances and transactions into three classes of net assets: permanently restricted, temporarily restricted or unrestricted.

SFAS #117 permitted much flexibility in the presentation of the statement of activities. The College chose a presentation which is more compatible with prior years because it more closely follows management practices at the College. Therefore, the prior years' current funds equate to the operations category, endowment equates to the long-term investments category, and prior years plant funds equate to plant category.

SFAS #124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, requires that the College report investments on a current market basis.

The College adopted SFAS #117 and SFAS #124 effective June 1, 1995, and restated its originally reported fiscal year 1995 financial statements to conform to the new standards, with the exception of Statement of Cash Flows, which is presented for the current fiscal year only.

Appendix VI sets forth the financial statements of the College for the year ended May 31, 1997, audited by KPMG Peat Marwick, Certified Public Accountants, Minneapolis, Minnesota and prepared in accordance with SFAS No. 116 and SFAS No. 117. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Summaries of Current Funds Revenues, Expenditures and Other Changes for Fiscal Years 1993 through 1997

The two tables on pages I-13 and I-14 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 Fiscal Years 1993 through 1995 which were maintained and presented on the fund accounting system. The table on page I-15 sets forth the College's statements of unrestricted activities for Fiscal Years 1996 and 1997.

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

For the Years Ended May 31,

	1993	1994	1995	1996	1997
REVENUES:					
Tuition and fees	$24,617,876	$26,433,352	$27,631,165		
Federal Grants and Contracts	1,856,506	1,604,673	1,527,071		
State Grants and Contracts	55,618	688,847	644,868		
Private Gifts, Grants and Contracts	2,972,226	2,539,815	2,183,769		
Endowment Income	15,986,489	18,200,322	20,434,858		
Investment Income	316,813	351,912	410,766		
Realized Net Gains (Losses) on Investments	419,935	(10,714)	(11,139)	See	
Sales and Services of Aux. Enterprises	4,879,055	4,949,001	5,171,982		
Matured Life Income	49,285	-	12,712	"Statement	
Other Sources	463,320	372,227	455,474		
Total Revenue	51,617,123	55,129,435	58,461,526	of	
EXPENDITURES AND MANDATORY TRANSFERS:				Activities",	
Educational and General					
Instruction	12,727,805	13,836,011	14,271,752	Operations	
Research	541,724	527,482	546,400		
Public Service	232,334	291,261	285,393	Column	
Academic Support	2,494,518	2,837,690	3,161,043		
Student Services	4,645,231	5,191,756	5,485,437	on	
Institutional Support	5,219,594	6,064,888	6,117,211		
Operation and Maintenance	2,569,254	2,692,066	2,684,372	page I-15	
Student Aid, Scholarships and Prizes	9,101,893	11,049,006	12,224,384		
Educational and General Expenditures	37,532,353	42,490,160	44,775,992		
Mandatory Transfers for:					
Endowment	59,897	-	41,127		
Prinicpal and Interest	1,027,449	776,979	890,595		
Plant Fund	345,455	-	-		
Total Educational and General	38,965,154	43,267,139	45,707,714		
Auxiliary Enterprises					
Expenditures	3,833,534	4,029,348	4,138,964		
Mandatory Tranfers for					
Principal and Interest	207,163	206,652	203,411		
Renewals and Replacements	38,802	38,802	38,802		
Total Auxiliary Enterprises	4,079,499	4,274,802	4,381,177		
Total Expenditures and Mandatory Transfers	43,044,653	47,541,941	50,088,891		
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):					
Excess of Restricted Additions					
Over Expenditures	1,067,573	366,384	1,163,680		
Transfers to Plant Fund	(1,025,264)	(7,098,204)	(8,006,852)		
Transfers To Quasi-Endowment Funds	(8,354,687)	(833,129)	(1,967,346)		
NET INCREASE (DECREASE) IN FUND BALANCES	260,092	22,545	(437,883)		
FUND BALANCES-BEGINNING OF YEAR	4,950,672	5,210,764	5,233,309		
FUND BALANCES-END OF YEAR	$5,210,764	$5,233,309	$4,795,426		

Source: Audited financial statements of the College.

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

For the Years Ended May 31,

	1993	1994	1995	1996	1997
REVENUES:					
Tuition and fees	$24,516,708	$26,303,292	$27,503,695		
Private Gifts, Grants and Contracts	1,690,528	1,484,167	1,238,885		
Endowment Income	621,239	938,348	1,131,176		
Investment Income	274,004	309,497	358,640	See	
Realized Net Gains (Losses) on Investments	419,935	(10,714)	(11,139)		
Sales and Services of Aux. Enterprises	4,870,949	4,941,526	5,168,038	"Statement	
Other Sources	231,561	204,083	226,791		
Matured Annuity	49,285	-	12,712	of	
Total Revenue	32,674,209	34,170,199	35,628,798		
				Activities",	
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General				Operations	
Instruction	4,930,509	5,583,719	4,456,288		
Public Service	164,814	207,399	218,339	Columns	
Academic Support	1,708,298	2,116,361	2,376,344		
Student Services	3,493,243	3,836,261	4,130,950	on	
Institutional Support	4,791,474	5,656,488	5,705,224		
Operation and Maintenance	2,446,988	2,605,785	2,595,350	page I-15	
Student Aid, Scholarships and Prizes	1,507,865	1,615,901	2,515,513		
Educational and General Expenditures	19,043,191	21,621,914	21,998,008		
Mandatory Transfers for:					
Endowment	-	-	-		
Prior Year Gift Redesignation	-	-	-		
Principal and Interest	1,027,449	776,979	890,595		
Total Educational and General	20,070,640	22,398,893	22,888,603		
Auxiliary Enterprises					
Expenditures	3,785,134	3,938,358	4,125,347		
Mandatory Transfers for					
Principal and Interest	207,163	206,652	203,411		
Renewals and Replacements	38,802	38,802	38,802		
Total Auxiliary Enterprises	4,031,099	4,183,812	4,367,560		
Total Expenditures and Mandatory Transfers	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	(1,025,264)	(7,098,204)	(8,006,852)		
Transfers To Quasi-Endowment Funds	(7,380,779)	(361,512)	(1,307,577)		
NET INCREASE (DECREASE) IN FUND BALANCE	51,427	127,778	(941,794)		
FUND BALANCE-BEGINNING OF YEAR	1,252,909	1,304,336	1,432,114		
FUND BALANCE-END OF YEAR	$1,304,336	$1,432,114	$490,320		

See "Statement of Activities", Operations Columns on page I-15

Source: Audited financial statements of the College.

MACALESTER COLLEGE
STATEMENT OF OPERATIONS ACTIVITIES

(in thousands of dollars)

For the Years Ended May 31,

	1993	1994	1995	1996	1997
Changes in unrestricted net assets:					
Revenue:					
Tuition and fees				$ 28,500	30,533
Less: Student aid and scholarship				(11,602)	(12,748)
Net tuition and fees				16,898	17,785
Federal grants and contracts		**See**		937	664
State grants and contracts				38	57
Private gifts and grants		**"Summary Statement of**		1,633	4,627
Endowment income		**Unrestricted Current Fund**		1,212	1,185
Sales and service of auxiliary enterprises		**Revenues, Expenditures and**		5,584	6,290
Other sources		**Other Changes"**		497	415
Investment income				361	363
Realized gains on investments		**and**		(5)	23
Net assets released from restrictions				22,010	22,929
Total Revenue		**"Summary Statement of**		49,165	54,338
		Unrestricted and Restricted			
Expenses:		**Currents Funds Revenues,**			
Instruction		**Expenditures and Other Changes"**		14,730	15,624
Research				735	663
Public service		**pages I-13 and I-14**		366	388
Academic support				3,385	3,316
Student services				6,026	6,342
Institutional support				6,429	6,645
Operations and maintenance of plant				2,853	3,113
Auxiliary enterprises				4,419	4,676
Total Expenses				38,943	40,767
Transfers among reporting categories:					
Principal and interest				(1,822)	(2,535)
Renewals and replacements				(39)	(39)
Capital improvements				(7,940)	(10,886)
Long term investments				(748)	788
Total Transfers				(10,549)	(12,672)
Increase in unrestricted net assets before comulative effect of change in accounting principles				(327)	899
Cumulative effect of change in accounting principles				552	
Increase in unrestricted net assets				225	899
UNRESTRICTED NET ASSETS BEGINNING OF YEAR				2,016	2,241
UNRESTRICTED NET ASSETS END OF YEAR				$ 2,241	$ 3,140

Source: Audited financial statements of the College.

Long-Term Debt of the College

As of April 1, 1998, the College's total long-term debt outstanding, adjusted to include the Bonds and exclude the Series Three-J Bonds, is $51,415,890. As of April 1, 1998, the following bonds and loans were outstanding.

1. $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; $555,000 was outstanding as of April 1, 1998. 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.

2. 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 April 1, 1998 under both loans is $610,890. Both loans bear interest at 3% per annum, and the aggregate annual debt service for both loans is $38,044.00.

3. $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 general obligations of the College secured by a debt service reserve fund of $1,300,120. $15,290,000 was outstanding as of April 1, 1998. The Series Three-J Bonds are being refunded by the Series Four-U2 Bonds.

4. $6,660,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-Z (Macalester College), dated September 15, 1994. Holders may tender bonds on seven days' notice; interest is re-set weekly; final maturity due 2024. $6,660,000 was outstanding as of April 1, 1998.

5. $11,245,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-C (Macalester College), dated November 1, 1995, at 5.48% average interest rate; final maturity due March 1, 2016. The Series Four-C Bonds are an unsecured general obligation of the College. $10,540,000 was outstanding as of April 1, 1998.

6. $11,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-J (Macalester College) dated May 13, 1997, at 5.41% average interest rate; final maturity due March 1, 2017. The Series Four-J Bonds are an unsecured general obligation of the College. $10,720,000 was outstanding as of April 1, 1998.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page I-18 sets forth the estimated debt service on the Bonds and debt service on the College's currently outstanding long-term debt excluding the Series Three-J Bonds for each fiscal year during the term of the existing indebtedness of the College. Column 6 shows coverage of such annual debt service by the amount of College revenue that was available for debt service for the year ended May 31, 1997, as further detailed in footnote (c) of the table. Actual long-term debt of the College is expected to increase in the future as additional capital projects are undertaken.

The table on page I-18 is intended merely to show the relationship of Fiscal Year 1997 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 defeasance of the Series Three-J Bonds and an assumed interest rate and amortization on the Series Three-Z and the Series Four-U 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.

Minnesota Higher Education Facilities Authority
Series Four-U, Macalester College
Annual Debt Service by Fiscal Year and Proforma Coverage Statement

Fiscal Year Ending May 31,	Existing Long Term Debt Service (a)	Refunded Series Three-J Debt Service (b)	Projected Debt Service on the Series Four-U Bonds (c)	Combined Long Term Debt Service(d)	Amount Available for Debt Service (e)	Proforma Coverage (Times)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1998	$3,037,143	$0	$0	$3,037,143	$15,099,000	4.97
1999	3,570,383	(1,156,455)	1,122,517	3,536,445	15,099,000	4.27
2000	3,546,908	(1,160,925)	1,516,185	3,902,168	15,099,000	3.87
2001	3,745,125	(1,154,165)	1,508,410	4,099,370	15,099,000	3.68
2002	3,653,846	(1,161,910)	1,509,550	4,001,486	15,099,000	3.77
2003	3,649,061	(1,293,280)	1,644,630	4,000,411	15,099,000	3.77
2004	3,651,906	(1,295,860)	1,652,960	4,009,006	15,099,000	3.77
2005	3,654,669	(1,296,560)	1,649,485	4,007,594	15,099,000	3.77
2006	3,652,244	(1,295,330)	1,649,253	4,006,166	15,099,000	3.77
2007	3,649,546	(1,297,120)	1,651,990	4,004,416	15,099,000	3.77
2008	3,655,201	(1,296,565)	1,652,790	4,011,426	15,099,000	3.76
2009	3,649,636	(1,294,120)	1,646,618	4,002,134	15,099,000	3.77
2010	3,651,226	(1,294,785)	1,648,255	4,004,696	15,099,000	3.77
2011	3,650,871	(1,293,245)	1,647,168	4,004,794	15,099,000	3.77
2012	3,654,639	(1,299,500)	1,648,275	4,003,414	15,099,000	3.77
2013	3,656,145	(1,297,920)	1,651,250	4,009,475	15,099,000	3.77
2014	3,648,565	(1,293,820)	1,646,250	4,000,995	15,099,000	3.77
2015	3,653,383	(1,297,200)	1,653,478	4,009,660	15,099,000	3.77
2016	3,653,630	(1,296,640)	1,647,123	4,004,113	15,099,000	3.77
2017	2,719,755	(1,292,880)	1,647,640	3,074,515	15,099,000	4.91
2018	1,803,080	(1,295,920)	1,649,460	2,156,620	15,099,000	7.00
2019	1,810,055	(1,300,120)	1,652,900	2,162,835	15,099,000	6.98
2020	1,806,810	(1,295,160)	1,647,700	2,159,350	15,099,000	6.99
2021	1,770,438	(1,296,360)	1,649,120	2,123,198	15,099,000	7.11
2022	1,771,560	(1,298,080)	1,651,640	2,125,120	15,099,000	7.11
2023	471,813	0	0	471,813	15,099,000	32.00
2024	474,075	0	0	474,075	15,099,000	31.85
Totals:	$81,311,713	($30,553,920)	$38,644,645	$89,402,437		

(a) Includes the Series Three-Z Bonds, which are in a variable interest rate mode. Although there is no required amortization of principal on the Series Three-Z Bonds before their maturity on March 1, 2024, debt service is shown here as if the Series Three-Z Bonds were amortized with level debt service as fixed-rate serial bonds at 5.25%, which is the rate the College, upon advice from the financial advisor, expects the Series Three-Z Bonds could be refinanced at the present time on a fixed-rate, tax-exempt basis.

(b) The Series Three-J Bonds are to be refunded by the Series Four-U Bonds.

(c) Estimated, based on projected interest rate of 5.25% as of June 1998.

(d) Includes estimated debt service on the Series Four-U Bonds and excludes the Series Three-J Bonds.

(e) Calculation of Amount Available for Debt Service for Fiscal Year Ended May 31, 1997:

Increase in Unrestricted Net Assets:		$ 17,467,000
Plus:	Depreciation	2,067,000
	Debt Service Interest	1,852,000
Less:	Net Assets released from Restriction for Land, Buildings & Equipment	(1,765,000)
	Unrealized gains on investments	(4,522,000)
Amount available for debt service:		$ 15,099,000

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON LLP

2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
FACSIMILE 612-336-3026

$__________
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Four-U1 and Series Four-U2
(Macalester College)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Four-U1 (Macalester College), in the aggregate principal amount of $_____________ (the "Four-U1 Bonds") and its Revenue Bonds, Series Four-U2 (Macalester College), in the aggregate principal amount of $____________(the "Four-U2 Bonds" and together with the Four-U1 Bonds, the "Bonds"), dated July 1, 1998, 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:

March 1 of the Year	Amount	Basic Interest Rate	March 1 of the Year	Amount	Basic Interest Rate

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, 1999. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds are subject to additional interest and optional redemption. Interest is payable by check or draft mailed or sent by wire transfer to the

Minneapolis Denver Des Moines London Frankfurt

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"). The proceeds of Series Four-U1 Bonds will be used to finance acquisition, construction and installation of new facilities and the proceeds of Series Four-U2 Bonds will be used to provide for the refunding of certain outstanding bonds issued by the Authority to finance educational facilities, 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 July 1, 1998, one or more opinions of Moore, Costello & Hart P.L.L.P. 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 P.L.L.P., 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 and by the pledge of funds and rights to payment held by the Trustee, as assignee, under the Loan Agreement.

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 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, July __, 1998.

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ANNUAL REPORT INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

The Annual Report Date will be 270 days after each fiscal year end, commencing with the fiscal year ended May 31, 1997. The Annual Report will contain:

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

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

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

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

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

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

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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 officers. Such certificate may designate an alternate or alternates.

Authorized Institution Representative: The President or Treasurer of the College or any other person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by 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.

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

Bond Resolution: The Series Resolution of the Authority adopted on June 17, 1998, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

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

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

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: Macalester College, a Minnesota nonprofit corporation, 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 either or both series of the Series Four-U Bonds is determined to be includable in the gross income of the Owners thereof, provided that no such Series Four-U 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 either series of 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 such 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, Finance & Commerce, or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or St. Paul, Minnesota, or in the City of New York, New York.

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

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, except if any Bond is in Book-Entry Form, with respect to any consent or approval of a Holder of Bonds of such Series, the terms shall mean the Beneficial Owner.

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as Trustee, dated as of July 1, 1998, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: Macalester College, a Minnesota institution of higher education located in St. Paul, Minnesota and owned and operated by the College.

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 July 1, 1998, 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 as owner or lessee or the Trustee as secured party pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority plus investment earnings thereon.

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

Prior Bonds means the Series Three-J Bonds.

Prior Bond Documents means the Series Three-J Bond Documents.

Prior Bonds Bond Account means the Series Three-J Bond Account.

Prior Bonds Indenture means the Series Three-J Indenture.

Prior Bonds Project means the Series Three-J Project.

Prior Bonds Reserve Account means the Series Three-J Reserve Account.

Prior Bonds Trustee means the Series Three-J Trustee.

Project Buildings means the facilities acquired, improved or constructed with proceeds of the Bonds, including investment earnings, and any other building constructed or improved with proceeds of the Prior 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 Prior Bonds or the Bonds, including investment earnings.

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

Project Site: The land on which any of the Project Buildings are or will be located or otherwise to be improved as part of the Project.

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

Series Four-U1 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-U1 (Macalester College).

Series Four-U2 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-U2 (Macalester College).

Series Three-J Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-J (Macalester College), dated June 1, 1992.

Series Three-J Loan Agreement means the Loan Agreement dated as of June 1, 1992 between the Authority and the College.

Series Three-J Project means (i) the renovation, furnishing and equipping of gymnasium facilities (including the addition of handball courts) and the student union, and the acquisition, construction, furnishing and equipping of a 10,700 square foot natatorium, originally financed with the Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-J (Macalester College), dated December 1, 1985 which was current refunded by the Series Three-J Bonds and (ii) the remodeling, furnishing and equipping of the Humanities wing of the Fine Arts Center and the construction of a two floor addition thereto for housing computer and audio visual facilities, (iii) the renovation, furnishing and equipping of Old Main, an office and classroom facility, (iv) the acquisition and installation of a telecommunications network for voice data and video, including a new telephone switch, (v) the acquisition and installation of a keyless identification system, and (vi) renovation and improvement of track and field facilities; all including appurtenant site improvements.

Series Three-J Reserve Account means the Reserve Account created under the Series Three-J Indenture.

Series Three-J Trustee means U.S. Bank Trust National Association, formerly known as First Trust National Association, or any successor Trustee under the Series Three-J Indenture.

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.

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 August 31, 2001, although Bond proceeds are expected to be expended by June 30, 2001, 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 one business day prior to each March 1 and September 1, commencing March 1, 1999, 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-U 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 4.03, 4.04, and 4.10 of the Indenture (relating to transfers from the Construction Account) and 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) on or prior to a date established for the 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-U 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-U 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

(e) at least one business day prior to each March 1, commencing March 1, 20_____ into the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding March 1, at par plus accrued interest, the amount of the Series Four-U Bonds specified in the Indenture.

There is reserved to the College the right to prepay all or part of the Loan and to redeem Bonds prior to their maturity in certain events as described 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 Prior Bonds Project and 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 Facilities, 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 insurance, 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 $250,000, 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 $250,000, 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, the available Net Proceeds or (if less) the prorata portion in respect of any Project Building shall be used for redemption or purchase of outstanding Bonds. Unless the College provides written direction to the Authority and the Trustee as to the Series and the years of maturity within a series to be redeemed, the Trustee shall redeem the Bonds pro rata (with allowance for rounding) between the two series of Bonds. For purposes of the provision, "prorata portion" shall mean the following percentages of the principal amount of outstanding Bonds: 32.0% of the principal amount of outstanding Bonds in the case of all or parts of the Campus Center; 15.9% of the principal amount of outstanding Bonds in the case of all or parts of the gymnasium/natatorium; 11.4% of the principal amount of outstanding Bonds in the case of all or parts of the Humanities Wing of the Fine Arts Center; and 16.7% of the principal amount of outstanding Bonds in the case of all or parts of Old Main.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any Project Building, 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 Project Building and site, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed, the available Net Proceeds (or if less, the prorata portion) in respect to any Project Building and site thereof which the College elects not to repair, rebuild, or restore shall be used for redemption or purchase of outstanding Bonds. For purposes of this provision, "prorata portion" shall be defined as set forth above under "Damage or Destruction."

Removal or Release of Project Equipment and Building Equipment

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

(a) the College may substitute 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 or other independent person experienced in valuing equipment of the type to be released 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 release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an independent engineer or independent person 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) and (b) above, if the depreciated book value of the Project Equipment or, in connection with (c) above, the depreciated book value of 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 substitution, removal, or release, as the case may be, 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 and if the effect of exceeding such amount would be to adversely affect the tax-exempt status of the Bonds.

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 either or both series of Bonds 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 affected 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 affected Bonds is paid. In addition, in the event of such Determination of Taxability, the affected series of Bonds shall be subject to optional redemption 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 shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the additional interest, as more fully set forth in the Loan Agreement.

Other Covenants

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion, race, color, creed, or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or 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 College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148 of the 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

(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, 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 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 money in the Accounts established by the Indenture.

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

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

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the 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; and

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

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds directly or indirectly affected (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 College with the consent of the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, 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 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the loan repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

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

AUDITED FINANCIAL STATEMENTS

VICE PRESIDENT FOR ADMINISTRATION AND TREASURER

MACALESTER COLLEGE
1600 GRAND AVENUE
SAINT PAUL, MINNESOTA 55105
612-696-6211

TREASURER'S COMMENTS
ON FISCAL YEAR 1996/97 FINANCIAL STATEMENTS

The financial statements that follow reflect an extraordinary financial year for the College. You will see a $65 million decrease in total net assets, the combined result of a $105 million decrease in the market value of holdings of The Reader's Digest Association Inc. (RDA) common stock, a substantial operating surplus, and investment gains within the College's diversified endowment. Please see footnote (3) for further information on the DeWitt Wallace Fund for Macalester College and the holdings of RDA stock, as well as footnote (4) regarding long term investments of the College and the DeWitt Wallace Fund for Macalester College. Absent the change in value of the RDA holdings, the College realized a $40 million increase in net assets for the year. Highlights of this strong financial performance include:

-Diversified and growing revenue streams--
  --Net student revenues of $24 million, increasing 7% over prior year
  --Private gifts and grants of $9.5 million, one of the highest totals in College history.
  --Endowment income of $24.5 million of which $13.5 million is from a diversified portfolio of investments, the balance from dividends of the RDA.

-A moderate increase in operating expenditures, at $40.8 million less than 5% over prior year.

-A $10 million operating surplus, after payment of debt service but before transfers.

-Designation (transfer) of this operating surplus for capital construction purposes.

-A successful sale of $11 million of revenue bonds, at an average interest rate of 5.4%, with a Aa3 credit rating and a resulting endowment to debt ratio of nearly 10:1.

-Over $20 million of capital construction in FY97, with the completion of three major projects.

-A diversified endowment of $282 million, exclusive of the RDA holdings, an increase of $27 million over prior year.

This combination of strong and diversified revenue streams and conservative operating costs has allowed the College to fund significant capital construction and create substantial cash reserves. The College is well positioned to deal with market value fluctuations of the RDA holdings, as well as the uncertainty of the associated income stream.

Craig H. Aase
Vice President for Administration and Treasurer

MACALESTER COLLEGE

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 statement of financial position of Macalester College (the College) as of May 31, 1997 and 1996, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of May 31, 1997 and 1996, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for 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

July 25, 1997

Macalester College

Statement of Financial Position
May 31, 1997 with summarized comparative figures at May 31, 1996
(in thousands of dollars)

	Operations	Investments	Plant	1997 Total	1996 Total
Assets					
Cash and cash equivalents	$ 9,896	2,200	13,150	25,246	$ 19,074
Accrued investment income	2,111	61	45	2,217	2,324
Prepaid expenses	284	-	933	1,217	1,007
Notes and accounts receivable, net of allowance for doubtful receivables of $706 ($700 in 1996)	1,719	3,640	-	5,359	5,292
Pledges receivable	1,194	1,627	1,470	4,291	4,575
Long term investments	-	156,539	-	156,539	141,598
Real estate	-	2,028	-	2,028	1,999
Land, building and equipment, net of accumulated depreciation	-	-	94,962	94,962	76,254
Investments owned by DeWitt Wallace Fund for Macalester College	-	291,735	-	291,735	384,175
Total assets	$ 15,204	457,830	110,560	583,594	$ 636,298
Liabilities and net assets					
Accounts payable and accrued expenses	$ 8,418	2,030	472	10,920	$ 9,251
Deposits	304	2	-	306	390
Agency deposits	209	-	-	209	88
Government grants refundable	-	3,164	-	3,164	3,045
Bonds and mortgages payable	-	-	45,275	45,275	34,959
Total liabilities	8,931	5,196	45,747	59,874	47,733
Net assets					
Unrestricted					
For operations	3,140	-	-	3,140	2,241
For investment in plant	-	-	4,618	4,618	5,906
For long term investments	-	43,579	-	43,579	40,765
For debt service	-	-	1,188	1,188	1,034
Net investment in plant	-	-	54,109	54,109	43,743
Unrealized gain on investments	-	16,596	-	16,596	12,074
Total unrestricted	3,140	60,175	59,915	123,230	105,763
Temporarily restricted					
For operations	3,133	-	-	3,133	2,864
For investment in plant	-	-	4,898	4,898	3,475
For long term investments	-	9,562	-	9,562	9,303
Total temporarily restricted	3,133	9,562	4,898	17,593	15,642
Permanently restricted					
For long term investments	-	358,308	-	358,308	349,225
Unrealized gain on investments	-	24,589	-	24,589	117,935
Total permanently restricted	-	382,897	-	382,897	467,160
Total net assets	6,273	452,634	64,813	523,720	588,565
Total liabilities and net assets	$ 15,204	457,830	110,560	583,594	$ 636,298

See accompanying notes to financial statements.

Macalester College
Statement of Activities
Year ended May 31, 1997 with
summarized comparative figures for the year ended May 31, 1996
(in thousands of dollars)

	Operations	Investments	Plant	1997 Total	1996 Total
Changes in unrestricted net assets:					
Revenue:					
Tuition and fees	$ 30,533	-	-	30,533	$ 28,500
Less: Student aid and scholarship	(12,748)	-	-	(12,748)	(11,602)
Net tuition and fees	17,785			17,785	16,898
Federal grants and contracts	664	-	-	664	937
State grants and contracts	57	-	-	57	38
Private gifts and grants	4,627	-	-	4,627	1,633
Endowment income	1,185	-	-	1,185	1,212
Sales and service of auxiliary enterprises	6,290	-	-	6,290	5,584
Other sources	415	-	4	419	517
Investment income	363	-	127	490	598
Realized gains on investments	23	3,592	-	3,615	2,067
Unrealized gains on investments	-	4,522	-	4,522	2,726
Net assets released from restrictions	22,929	937	1,765	25,631	23,989
Total revenue	54,338	9,051	1,896	65,285	56,199
Expenses:					
Instruction	15,624	-	1,054	16,678	15,474
Research	663	-	-	663	735
Public service	388	-	23	411	389
Academic support	3,316	-	285	3,601	3,668
Student services	6,342	-	881	7,223	6,915
Institutional support	6,645	-	938	7,583	7,348
Operation and maintenance of plant	3,113	-	2,360	5,473	5,743
Auxiliary enterprises	4,676	292	573	5,541	5,194
Administration and other expenses	-	53	-	53	96
Paid to beneficiaries	-	592	-	592	1,687
Total expenses	40,767	937	6,114	47,818	47,249
Transfers among reporting categories:					
Principal and interest	(2,535)	-	2,535	-	-
Renewals and replacements	(39)	-	39	-	-
Capital improvements	(10,886)	-	10,886	-	-
Long term investments	788	(778)	(10)	-	-
Total transfers	(12,672)	(778)	13,450	-	-
Increase in unrestricted net assets before cumulative effect of change in accounting principles	899	7,336	9,232	17,467	8,950
Cumulative effect of change in accounting principles	-	-	-	-	552
Increase in unrestricted net assets	899	7,336	9,232	17,467	9,502
Unrestricted net assets beginning of year	2,241	52,839	50,683	105,763	96,261
Unrestricted net assets at end of year	$ 3,140	60,175	59,915	123,230	$ 105,763

(continued)

See accompanying notes to financial statements.

Macalester College
Statement of Activities
(in thousands of dollars)

	Operations	Investments	Plant	1997 Total	1996 Total
Changes in temporarily restricted net assets:					
Federal grants and contracts	$ -	-	-	-	$ 500
Private gifts and grants	386	-	3,155	3,541	2,262
Endowment income	22,915	-	19	22,934	21,856
Other sources	4	-	-	4	4
Investment income	166	-	-	166	51
Net assets released from restrictions	(22,929)	-	(1,765)	(24,694)	(22,049)
Transfers among reporting categories	(273)	259	14	-	-
Net change in temporarily restricted net assets before cumulative effect of change in accounting principles	269	259	1,423	1,951	2,624
Cumulative effect of change in accounting principles	-	-	-	-	976
Net change in temporarily restricted net assets	269	259	1,423	1,951	3,600
Temporarily restricted net assets beginning of year	2,864	9,303	3,475	15,642	12,042
Temporarily restricted net assets at end of year	$ 3,133	9,562	4,898	17,593	$ 15,642
Changes in permanently restricted net assets:					
Private gifts and grants	$ -	1,393	-	1,393	$ 4,610
Endowment income	-	382	-	382	846
Sales and service of auxiliary enterprises	-	184	-	184	199
Other sources	-	1	-	1	8
Investment income	-	919	-	919	880
Realized gains on investments	-	7,113	-	7,113	7,448
Unrealized gains (losses) on investments	-	(93,347)	-	(93,347)	9,020
Interest on loans receivable	-	29	-	29	27
Net assets released from restrictions	-	(937)	-	(937)	(1,940)
Net change in permanently restricted net assets	-	(84,263)	-	(84,263)	21,098
Permanently restricted net assets beginning of year	-	467,160	-	467,160	446,062
Permanently restricted net assets at end of year	$ -	382,897	-	382,897	$ 467,160

See accompanying notes to financial statements.

Macalester College
Statement of Cash Flows
May 31, 1997 with comparative figures for the year ended May 31, 1996
(in thousands of dollars)

		Total 1997	Total 1996
Cash flows from operating activities			
Change in total net assets	$	(64,845)	34,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		2,067	2,011
Realized gain on sale of investments		(10,705)	(8,204)
Unrealized (gain) loss on investments		88,825	(11,746)
Net gain on sale of real estate		-	(1,316)
Net gain on sale of land, building and equipment		(4)	-
(Increase) decrease in payable to annuity and life income beneficiaries		47	(1,059)
Private gifts, grants and other income restricted for long term investment		(2,338)	(2,637)
Decrease in accrued investment income		107	31
(Increase) decrease in prepaid expenses		17	(87)
Increase notes and accounts receivable		(67)	(58)
(Increase) decrease in pledges receivable		284	(4,575)
Increase in accounts payable and accrued expenses		1,669	1,201
Increase (decrease) in deposits		(84)	67
Increase (decrease) in agency deposits		121	(126)
Net cash provided by operating activities		15,094	7,702
Cash flows from investing activities:			
Proceeds from sale of investments		129,332	85,930
Proceeds from sale of land, building and equipment		4	-
Purchase of investments		(129,950)	(94,235)
Purchase of real estate		(79)	(64)
Purchase of land, building and equipment		(20,728)	(12,783)
Net cash used in investing activities		(21,421)	(21,152)
Cash flows from financing activities:			
Proceeds from issuance of bond payable		11,000	11,245
Principal payments on bonds payable		(684)	(160)
Payment of financing costs		(227)	(160)
Increase in government grant refundable		119	104
Increase (decrease) in payable to annuity and life income beneficiaries		(47)	1,059
Private gifts, grants and other income restricted for long term investment		2,338	2,637
Net cash provided by financing activities		12,499	14,725
Net increase in cash and cash equivalents		6,172	1,275
Cash and cash equivalents at beginning of the year		19,074	17,799
Cash and cash equivalents at end of the year	$	25,246	19,074
Supplemental disclosure - cash paid for interest	$	1,805	1,430

See accompanying notes to financial statements.

1) Background and Organization

Macalester College (the College) is a highly selective, four year, coeducational, private liberal arts college. Founded in 1874, the College is located in the urban setting of Saint Paul, Minnesota, and is affiliated with the Presbyterian Church (USA). The College offers a variety of four year programs leading to a Bachelor of Arts degree and is accredited by the North Central Association of Colleges and Secondary Schools and the National Council for Accreditation of Teacher Education.

2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions as required by Statement of Financial Accounting Standards 116 and 117. Accordingly, net assets and changes therein are classified as follows:

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

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

Unrestricted net assets--Net assets not subject to donor imposed stipulations. Certain of these amounts have been designated by the board for endowment.

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

(Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received and reported in their appropriate net asset group, subject to the existence or absence of donor imposed stipulations. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after the balance sheet date are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor imposed restriction, if any, on the contributions.

Dividends, interest, and net gains or losses, both realized and unrealized, on investments of endowment and similar funds are reported as follows:

- as increases or decreases in permanently restricted net assets if the terms of the gift or the College's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; and
- as increases in unrestricted net assets in all other cases.

Cash and Cash Equivalents

Cash and cash equivalents include interest bearing money market accounts and short-term investments with an original maturity of less than three months.

Land Buildings and Equipment

Constructed and purchased property and equipment are carried at cost. Land, buildings and equipment donated to the College are stated at fair market value at date of donation. Long-lived assets, with the exception of land and artwork, are depreciated using the straight-line method over the estimated useful lives.

Bond Issue Costs

Bond issue costs are amortized using the straight-line method over the life of the associated bond issue.

Tax Status

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income.

(Continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and deposits approximate fair value because of the short maturity of these financial instruments. Pledges receivable and annuity contracts payable are recorded at fair value using appropriate discount rates. Long term investments are carried at fair value, based upon values provided by external investment managers or quoted market values. In the limited cases where such values are not available, carrying value is used as an estimate of market value.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U. S. government or its designees. The fair value of receivables from students under College loan programs approximates carrying value.

The carrying amount of bonds and mortgages payable approximates fair value.

Use of Estimates

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

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total. Accordingly, such information should be read in conjunction with the College's fiscal year 1996 financial statements, from which the summarized information was derived.

3) 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 DeWitt Wallace-Reader's Digest Fund, the Lila Wallace-Reader's Digest Fund or The Reader's Digest Association, Inc., two of whom are 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).

(Continued)

(in thousands of dollars)

As of May 31, 1997, the market value of the net assets of the Fund was approximately $296,371 ($291,735 principal investments and $4,636 of undistributed income). The principal investments are common stock and units of the Macalester College endowment. The common stock of the Fund consists of shares of The Reader's Digest Association, Inc.

The Fund makes annual grants to support College programs as may be agreed upon by the College and the Fund. Grants made by the Fund to the College from 1982 to 1997 total $110,120. This sum includes a grant of $17,620 for fiscal year ended May 31, 1997. In July 1997, The Reader's Digest Association, Inc. announced a reduction in its quarterly dividend. As a result, the income available for grants from the Fund will decrease by approximately $4,000 during the fiscal year ended May 31, 1998. The Fund, in collaboration with the College, has the ability to consider other funds available for grants, including accumulated appreciation in the Fund's assets and reserve funds previously established by the Fund at Macalester College.

As of May 31, 1997, $144,292 (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.

4) Long Term Investments, Including Those Assets Owned by The DeWitt Wallace Fund for Macalester College

The long term investments include funds traditionally considered the endowment of the College as well as assets of funds for annuity and life income and loan funds. The allocations shown at market values are as follows:

	1997	1996
Macalester College (at market)		
Cash equivalents	$ 4,811	$ 7,837
Common stocks	99,409	86,628
International equity	31,063	18,960
Preferred stock	5,885	5,706
Corporate bonds	28,929	28,400
U.S. Government obligations	105,376	102,831
Real estate, private equity, other	25,358	22,970
Subtotal market	$300,831	$273,332
Less value of units of Macalester endowment owned by DeWitt Wallace Fund for Macalester College	(144,292)	(131,734)
Total market	$156,539	$141,598

(Continued)

(in thousands of dollars)

DeWitt Wallace Fund for Macalester College (at market)		
Common stock	$147,443	$252,441
Value of units in the Macalester College endowment	144,292	131,734
Total market	$291,735	$384,175
Total market of long term investments	$448,274	$525,773
Total cost	$408,217	$396,894

Included in the market value of preferred stocks at May 31, 1997, is $5,885 relating to 89,685 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.

5) Funds Held in Trust by Others

The College is the income beneficiary of a trust with an estimated value of $10,765 which is controlled by independent trustees. For the year ended May 31, 1997, the College received $278 from this trust. These assets do not appear on the financial statements of the College.

6) Valuation and Performance of Long Term Investment Funds, Including Those Assets Owned by 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. Quasi-endowment are funds designated by the Board of Trustees action to function as endowment.

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, 1997, 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 Activities.

(Continued)

(in thousands of dollars)

Earnings of $320 in excess of the spending rate for the year ended May 31, 1997 ($47 of unrestricted funds and $273 of temporarily restricted funds) have been transferred from operating funds to quasi-endowment.

Excess income of the DeWitt Wallace Fund's participation in the pooled endowment is granted annually to the College. The 1996/97 grant was $323, reported as endowment income in the activity of permanently restricted net assets.

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

7) Pledges Receivable

Pledges receivable consisted of the following at May 31, 1997:

Unconditional promises expected to be collected in:	
Less than one year	$ 925
One year to five years	3,792
Greater then five years	0
Less: Discount to present value	(426)
	$ 4,291

8) Land, Building and Equipment

The following is a summary of the College's property and equipment:

	1997	1996
Land and land improvements	$ 1,414	$ 1,414
Buildings	81,010	80,690
Equipment	2,599	2,032
Construction in progress	31,545	11,720
	$116,568	$95,856
Less: Accumulated depreciation	(21,606)	(19,602)
	$ 94,962	$76,254

(Continued)

(in thousands of dollars)

9) Bonds and Mortgages Payable

Bonds and mortgages payable consist of the following:

	1997	1996
Macalester College Dormitory Bonds of 1956, 2-3/4%, final series due November 1, 1996 (original amount $800)	$ 0	$ 24
Macalester College Dormitory Bonds of 1962, 3-3/8%, final series due May 1, 2002 (original amount $2,850)	610	720
College Housing Program Mortgages at 3%, due in semi-annual installments of $19,022 including interest, through 2020 (original amount $880)	620	640
Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds of 1992, 6.33% average, final series due 2022 (original amount $15,670)	15,485	15,670
Minnesota Higher Education Facilities Authority variable rate demand revenue bond of 1994, weekly maturity and rate reset, 3.55% average for current fiscal year, total principal due 2024 (original amount $6,660)	6,660	6,660
Minnesota Higher Education Facilities Authority Revenue Bond of 1995, 5.48% average, final series due 2016 (original amount $11,245)	10,900	11,245
Minnesota Higher Education Facilities Authority Revenue Bond of 1997, 5.41% average, final series due 2017 (original amount $11,000)	11,000	0
	$ 45,275	$ 34,959

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 original acquisition costs and improvements of such pledged facilities approximated $9,646 at May 31, 1997 and 1996) 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 $375 and $452 at May 31, 1997 and 1996, respectively. The 1962 indenture also requires the College to transfer $30 annually to a repair and replacement reserve.

(Continued)

(in thousands of dollars)

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 original acquisition cost and improvements of $652 at May 31, 1997 and 1996, and by pledges of gross stadium and tuition revenues.

In June of 1992, $15,670 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, funded by bond sale proceeds. The balance of the proceeds, net of issuance costs and issuance discounts of $372, were used to retire the balance of MHEFA Revenue Bonds of 1985, and to finance campus improvements totaling $9,738.

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

In November of 1995, $11,245 of revenue bonds were issued on behalf of the College by MHEFA. The average maturity of the issued bonds was 12.4 years, at an average rate of 5.48%. The bonds were secured by a pledge by MHEFA. Proceeds of the issue were used to finance renovation and expansion of the Rice/Olin Halls Science Facility.

In May of 1997, $11,000 of revenue bonds were issued on behalf of the College by MHEFA. The average maturity of the issued bonds was 12.05 years, at an average rate of 5.41%. Proceeds of this issue were used to finance campus improvements.

Annual debt commitments (principal) at May 31, 1997, are as follows:

Fiscal year ending May 31,	Amount
1998	965
1999	1,060
2000	1,001
2001	1,246
2002	1,217
after 2002	39,786
	$ 45,275

Total interest costs on plant funds debt aggregated $1,852 and $1,579 during the year ended May 31, 1997 and 1996, respectively.

(Continued)

(10) High Winds Fund

Included in the permanently restricted net assets are funds of High Winds. 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, 1997, the High Winds Fund owned nine properties surrounding the College campus.

11) Retirement Plan

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, Vanguard Fiduciary Trust Company and Fortis Investors, Inc. 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, 1997 and 1996, was approximately $271 and $273, respectively.

Total pension expense for the year ended May 31, 1997, was $1,591 including $37 paid under the unfunded supplemental plan and for the year ended May 31, 1996, was $1,458 including $36 paid under the unfunded supplemental plan.

MACALESTER COLLEGE
Endowment Investment Performance*
Year Ended May 31, 1997
(in thousands of dollars except per unit value)

Schedule 1

	Pooled Funds		Nonpooled Funds		Total Endowment Funds	
	Market	Cost	Market	Cost	Market	Cost
Net assets at May 31, 1997:						
Common stock	$ 119,098	82,614	147,473	157,144	266,571	239,758
Preferred stocks	5,885	4,565	-	-	5,885	4,565
Corporate bonds	24,906	23,362	-	-	24,906	23,362
U.S. Government obligations	103,890	99,725	67	66	103,957	99,791
Real estate	11,366	11,197	-	-	11,366	11,197
Other (including uninvested cash)	16,976	15,666	-	-	16,976	15,666
	$ 282,121	237,129	147,540	157,210	429,661	394,339
Net assets at May 31, 1996	255,290		252,532		507,822	
Increase (decrease) in net assets	$ 26,831		(104,992)		(78,161)	
Less:						
Initial market value of additions	2,380		0		2,380	
Net gains (loss) for year	$ 24,451		(104,992)		(80,541)	
Net gains for the year consist of:						
Realized net gains	$ 10,544		4		10,548	
Unrealized net gains (loss)	13,907		(104,996)		(91,089)	
Total net gains (loss) for year	$ 24,451		(104,992)		(80,541)	
Pooled investments:						
Market value per unit, including excess endowment earnings funds:						
May 31, 1997	$ 17.65					
May 31, 1996	16.11					
Net gain per unit	$ 1.54					
Percent gain per unit	9.53%					
Total earnings, exclusive of gains	$ 13,536					
Total earnings per current year average units outstanding	$ 0.85					
Total earnings as a percent of average current market values	5.01%					
Total performance for year	14.54%					

* - Including the DeWitt Wallace Fund for Macalester College (note 3)

See accompanying independent auditors' report.

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PROPOSAL FORM **SALE DATE:** June 17, 1998

TO: Mr. J. Luther Anderson, Executive Director
Minnesota Higher Education Facilities Authority
Galtier Plaza, Suite 450
175 East Fifth Street
St. Paul, MN 55101
(612) 296-4690

RE: $7,145,000 Revenue Bonds, Series Four-U1 (Macalester College)

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $____________________ (Note: This amount may not be less than $7,059,260) and accrued interest to the date of delivery.

________% 2000	________% 2006	________% 2012	________% 2018
________% 2001	________% 2007	________% 2013	________% 2019
________% 2002	________% 2008	________% 2014	________% 2020
________% 2003	________% 2009	________% 2015	________% 2021
________% 2004	________% 2010	________% 2016	________% 2022
________% 2005	________% 2011	________% 2017	

Designation of Serial and Term Maturities

Last Year of Serial Maturities __________ Year of Term Maturities ____________
____
____

In making this offer we accept all of the terms and conditions of the Terms of Proposal published in the Official Statement dated June 4, 1998. In the event of failure to deliver these Bonds in accordance with the Terms of Proposal as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Subject to any applicable exemption in the Rule, this offer to purchase/bid is subject to the Authority's covenant and agreement to take all steps necessary to assist us in complying with SEC Rule 15c2-12, as amended.

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

NET INTEREST COST: $____________________________

TRUE INTEREST RATE: ______________ %

Account Members

____
Account Manager

BY: ____________________________

Phone: ____________________________

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

____
Executive Director

_____ SURE-BID _____ Good Faith Check Submitted

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Galtier Plaza, Suite 450
175 East Fifth Street
St. Paul, MN 55101
(612) 296-4690

RE: $15,185,000* Revenue Bonds, Series Four-U2 (Macalester College)

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $____________________ (Note: This amount may not be less than $15,002,780) and accrued interest to the date of delivery.

________% 1999	________% 2005	________% 2011	________% 2017
________% 2000	________% 2006	________% 2012	________% 2018
________% 2001	________% 2007	________% 2013	________% 2019
________% 2002	________% 2008	________% 2014	________% 2020
________% 2003	________% 2009	________% 2015	________% 2021
________% 2004	________% 2010	________% 2016	________% 2022

Designation of Serial and Term Maturities

Last Year of Serial Maturities __________ Year of Term Maturities __________
____
____

* *The Authority reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be in a total amount not to exceed $_____ and will be made in multiples of $5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

In making this offer we accept all of the terms and conditions of the Terms of Proposal published in the Official Statement dated June 4, 1998. In the event of failure to deliver these Bonds in accordance with the Terms of Proposal as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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Account Members

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Account Manager

BY: ________________________

Phone: ____________________

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________% 2004	________% 2010	________% 2016	________% 2022

Designation of Serial and Term Maturities

Last Year of Serial Maturities __________ Year of Term Maturities ____________
____
____

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