OFFICIAL STATEMENT DATED FEBRUARY 12, 2003

NEW ISSUE **Rating: Moody's: Aa3/VMIG1**

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

$15,300,000
Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Five-Q
(Macalester College)

(DTC Book Entry Only)

Dated Date: Date of Issue **Maturity Date: March 1, 2033**

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

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of Macalester College, a Minnesota nonprofit corporation (the "College"), Saint Paul, Minnesota.

The Bonds will be issued as fully registered bonds without coupons in minimum denominations of $100,000 and any larger amount which is an integral multiple of $5,000, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only and purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein.)

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

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

The Bonds will bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including Wednesday, February 26, 2003. Thereafter, until the Conversion Date, the Bonds shall bear interest at a Variable Rate that is determined weekly by the Remarketing Agent. Interest on the Bonds shall be payable on the first Business Day of each month commencing April 1, 2003. Interest shall be computed during the Variable Rate Period on the basis of a 365- or 366-day year, as the case may be. At the option of the College and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, the Bonds may be tendered for purchase upon seven days' prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The College is solely responsible for the payment or repurchase of Bonds; see "THE BONDS – Remarketing and Purchase" herein. The initial Remarketing Agent is RBC Dain Rauscher Inc. The initial Trustee, Registrar, Paying Agent and Tender Agent is U.S. Bank National Association, Saint Paul, Minnesota (the "Trustee").

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

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds by Briggs and Morgan, Professional Association, Saint Paul and Minneapolis, Minnesota, Bond Counsel. Certain matters will be passed upon for the College by its counsel, Moore, Costello & Hart, PLLP, Saint Paul and Minneapolis, Minnesota; and for the Underwriter by its counsel, Faegre & Benson LLP, Minneapolis, Minnesota. It is expected that the Bonds in definitive form will be available for delivery on or about February 20, 2003.

RBC Dain Rauscher Inc.

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

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

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

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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$15,300,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

VARIABLE RATE DEMAND REVENUE BONDS, SERIES FIVE-Q

(MACALESTER COLLEGE)

(Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the “Authority”) and Macalester College, an institution of higher education located in Saint Paul, Minnesota, (the “College”) in connection with the issuance of the Authority's $15,300,000 Variable Rate Demand Revenue Bonds, Series Five-Q (Macalester College) (the “Bonds” or the “Issue”).

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

The Bonds are being issued pursuant to the Trust Indenture (the “Indenture”) between the Authority and U.S. Bank National Association, Saint Paul, Minnesota as trustee (the “Trustee”). The Trustee will also be the Registrar, Paying Agent and Tender Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the principal of, and interest on, the Bonds and the Purchase Price of Tendered Bonds, all as the same shall become due. The Bond proceeds will be used to:

1. Refurbish, refurnish and upgrade data wiring for Doty Hall,
2. Expand, renovate, refurnish and upgrade data wiring for Wallace Hall and Turck Hall,
3. Install fire sprinkler systems in Doty, Wallace, Turck, Bigelow, Dupre, 30 Macalester and Kirk Halls, and
4. Pay certain issuance costs

The improvements described herein are collectively referred to as the “Project” and are to be owned and operated by the College and located on the College campus in Saint Paul, Minnesota. See “USE OF PROCEEDS” herein.

The Bonds are secured by a pledge of the Loan Repayments, the payment of which is a general unsecured obligation of the College. Under the Loan Agreement, the College will agree to provide the funds necessary to make timely payment of the Purchase Price of Bonds which have been tendered for purchase. See also “THE BONDS – Remarketing and Purchase” and “RISK FACTORS – Liquidity Risk / No Letter of Credit” herein.

The Bonds shall not be legal or moral obligations of the State of Minnesota, nor shall they constitute a debt for which the faith and credit of the Authority or the State of

Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

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

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering. This Official Statement must not be used or relied upon by a Holder or purchaser of Bonds in connection with the remarketing of Bonds, the optional tender of Bonds by a Holder or conversion of the Bonds to a Fixed Rate.

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.

Unsecured Obligations

The Bonds are payable solely from amounts payable by the College under the Loan Agreement. No reserve account has been funded and no mortgage lien on or security interest in any College property or other collateral has been granted to secure payment of the Bonds. There is no restriction in the Loan Agreement against the College granting mortgage liens or security interests to secure other indebtedness.

Liquidity Risk / No Letter of Credit

In the event that Bonds are tendered for purchase but not remarketed, the College will provide the Purchase Price of the Bonds out of its own funds. There is no independent source of liquidity or payment for tendered Bonds such as a letter of credit. The College expects to have available sufficient cash and readily marketable short term investments to provide funds to purchase tendered Bonds which are remarketed, as well as for other operating purposes. In order to provide a mechanism for the prompt sale of investments in the event of funds being needed to purchase tendered Bonds, the College has entered into an agreement (the "Custody Agreement") with U.S. Bank National Association, as custody agent and not as Trustee (the "Custody Agent"). The Custody Agreement does not require the College to deposit or maintain any specific amount, prohibit withdrawal by the College for any purpose, grant any security interests on the amounts held by the Custodian (except to the Custodian for its custody fees) or preclude the College from granting security interests to parties other than the Trustee. There can be no assurance that Available Qualified Investments will be held under the Custody Agreement in amounts sufficient at any specific time to pay for tendered Bonds.

Certain historical information on assets of the College which might be used to pay the Purchase Price of Tendered Bonds is set forth in Appendix I, “Market Value of Long-Term Investments” and “Spending Policy and Investment Objectives.” There can be no assurance that the College will maintain any level of endowment or investments.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made solely from Loan Repayments of the College. The College's ability to make Loan Repayments will depend in part on its ability to receive sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to many conditions and factors which may be beyond the control of the College and may change in the future to an extent that cannot be presently determined.

Competition

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

Reliance on Tuition and Fees

The adequacy of College revenues will depend in part 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 and universities, a change in the number of college age students, and adverse general economic conditions will influence the number of applicants to and enrollees of the College.

Financial Aid

Approximately 76% of the College's students currently receive some federal, state or College financial aid covering tuition and fees or living expenses. No assurance can be given that federal, state or College financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues. State financial shortfalls may result in reductions to state aid funding for colleges, including the College.

Redemption, Acceleration, or Purchase Prior to Maturity

The Bonds may be called for redemption prior to maturity on any Interest Payment Date at the option of the College. In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading “THE BONDS – Redemption.”

Damage, Destruction or Other Liability

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 are provided in Appendix I under the caption "THE COLLEGE -- Estimated Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table. The pro forma coverage 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 Indenture, or the Bonds or the other obligations of the College. Accordingly, for payment of principal, interest, and premium, if any, on, and Purchase Price of, the Bonds, holders of the Bonds must look solely to the College's ability to make Loan Repayments and to pay the Purchase Price for tendered or deemed tendered Bonds under the Loan Agreement.

No Limitation on Indebtedness

None of the Loan Agreement or 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.

Construction Risks

Project construction began in June 2001. Several portions of the Project have been completed. The College expects to fully complete the Project by September 2004.

Project construction is subject to ordinary and unanticipated risks associated with construction of a similar nature, such as risks of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire and casualty. Any delays in construction would adversely impact the College's ability to complete the Project as scheduled, which may result in, among other things, cost overruns and reduced revenue.

See also "USE OF PROCEEDS" herein.

Other Possible Risk Factors

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

1. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in revenues.
2. Adoption of federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the College.
3. International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

CONTINUING DISCLOSURE

The Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Consequently, the College has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure which might otherwise be required by the Rule. However, certain continuing disclosure information may be available from national repositories pursuant to continuing disclosure agreements relating to other bonds issued on behalf of the College. The College has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events. The College will enter into an undertaking for continuing disclosure, if required by the Rule, following a conversion of the Bonds to a Fixed Rate.

THE BONDS

The sole purpose of this section is to describe terms and provisions of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate, and must not be relied upon following the Conversion Date.

General

The Bonds will be dated the date of initial delivery thereof and will mature March 1, 2033.

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

The Bonds will initially bear interest at a Variable Rate established by the Remarketing Agent. From the Issue Date to and including Wednesday, February 26, 2003, the Bonds will bear interest at a rate to be determined by the Remarketing Agent prior to the Issue Date. Thereafter, the Remarketing Agent will determine the interest rate weekly for each Weekly Period as described below. A Weekly Period consists of Thursday through and including the next succeeding Wednesday. See "THE BONDS – Setting of Interest Rates." Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender and optional redemption. See the captions “THE BONDS – Optional and Mandatory Tender” and “THE BONDS – Redemption” herein. The Bonds may be converted to a Fixed Rate as described herein under the caption “THE BONDS – Conversion to a Fixed Rate.”

Setting of Interest Rates

The College has appointed RBC Dain Rauscher Inc. to serve as the Remarketing Agent (the “Remarketing Agent”) which will determine the interest rate on the Bonds pursuant to the Remarketing Agreement for each Weekly Period ending prior to the Conversion Date. The College or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent. The Weekly Interest Rate will be determined by the Remarketing Agent on the Wednesday of each week or the succeeding Business Day if such Wednesday is not a Business Day.

The Weekly Interest Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell all outstanding Bonds on the first day of the applicable Weekly Period at a price equal to the principal amount thereof (plus accrued interest, if any). If, for any reason, the Remarketing Agent fails to determine the Weekly Interest Rate, or if a Weekly Interest Rate cannot legally be determined, the Weekly Interest Rate for such period will be equal to (a) 105% of the VariFact™ Rate published by The Bond Buyer for such period, or (b) if the VariFact™ Rate is not published, 80% of the bond equivalent yields (calculated in accordance with standard practice in the banking industry) for the 13-week United States Treasury bills sold at the last United States Treasury auction of such bills prior to the date of determination.

The Remarketing Agent shall give notice to the Trustee, the Tender Agent and the College of the determination of each Weekly Interest Rate. The interest rate determination by the Remarketing Agent shall be conclusive and binding on the Holders, the College, the Authority, the Tender Agent and the Trustee.

The interest rate on any Bond before the Conversion Date may not exceed 12% per annum (the “Maximum Rate”).

Optional and Mandatory Tender

Optional Tender

Prior to the Conversion Date, Bonds may be tendered for purchase at the principal amount thereof plus accrued interest (the “Purchase Price”) on any Business Day at least seven days after the Optional Tender Notice is deemed to be given See “THE BONDS – Book Entry System” and “THE BONDS -- Tenders Under Book-Entry System” herein for additional information and procedures regarding tendering Bonds while the book-entry system is in effect.

An Optional Tender Notice that is delivered to the Tender Agent at its principal office at or before 4:00 P.M., New York City time, on any Business Day shall be deemed delivered on such Business Day, and if such Notice is delivered after 4:00 P.M., New York City time, it shall be deemed to be delivered on the next succeeding Business Day. Optional Tender Notices are irrevocable upon receipt by the Tender Agent. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the date on which such Bond is to be purchased, which date shall be a Business Day not less than seven days after the date the Optional Tender Notice is deemed delivered. During any period in which the Bonds are in Book-Entry Form, no further deliveries are required to effect the Optional

Tender. During any period in which the Bonds are not in Book-Entry Form, such Bond must be delivered (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent) to the Tender Agent, at its principal office, by 9:00 A.M., New York City time, on the Optional Tender Date.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date (when delivery is required during any period in which the Bonds are not in Book-Entry Form), but for which there has been deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

Mandatory Tender

The Bonds are required to be tendered for purchase at the Purchase Price to the Tender Agent on the Conversion Date.

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

During any period in which Bonds are in Book-Entry Form, the Tender Agent shall purchase any Bond subject to mandatory tender without further action by the Holder. During any period in which the Bonds are not in Book-Entry Form, each Bond which is not to be retained by the Holder must be tendered to the Tender Agent for purchase on behalf of the College at or before 9:00 A.M., New York City time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the College at the Purchase Price.

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

Tenders Under Book-Entry System

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

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to DTC. No Bond in Book-Entry Form will be required to be delivered by the Beneficial Owner for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date.

So long as the book-entry system is in effect, the procedures for optional and mandatory tender of Bonds by Beneficial Owners are governed by DTC procedures. See “BOOK ENTRY SYSTEM” herein. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional or mandatory tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

Remarketing and Purchase

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

Bonds tendered for purchase shall be paid by the Tender Agent: first, from moneys derived from the remarketing of such Bonds by the Remarketing Agent; and second, from moneys made available by the College. The College is obligated to purchase any Bonds tendered or deemed tendered for purchase on an Optional Tender Date or the Mandatory Tender Date, to the extent remarketing proceeds are not sufficient to purchase such Bonds.

The College expects to have available sufficient cash and readily marketable short term investments to provide funds to purchase tendered Bonds which are remarketed, as well as for other operating purposes. In order to provide a mechanism for the prompt sale of investments in the event of funds being needed to purchase tendered Bonds, the College has entered into an agreement (the "Custody Agreement") with U.S. Bank, National Association, as custody agent and not as Trustee (the "Custody Agent"). The Custody Agreement does not require the College to deposit or maintain any specific amount, prohibit withdrawal by the College for any purpose, grant any security interests on the amounts held by the Custodian (except to the Custodian for its custody fees) or preclude the College from granting security interests to parties other than the Trustee.

The College has covenanted in the Loan Agreement to provide a monthly report to the Trustee, the Remarketing Agent and each Repository within fifteen (15) Business Days after the end of each month, commencing April 2003, for so long as the Bonds bear interest at a Variable Rate, showing the aggregate value by maturity as of the last Business Day of the immediately preceding month of Available Qualified Investments held by the Custodian pursuant to the Custody Agreement. Investments held by the Custodian shall be deemed to include Qualified Investments on loan to third parties pursuant to collateralized lending arrangements which are available for return to the Custodian upon demand within six (6) days of such demand by the Custodian. See Appendix III for definitions of “Available,” “Qualified Investments,” and “Repository.” There can be no assurance that Available Qualified Investments will be held under the Custody Agreement in amounts sufficient at any time to pay for tendered Bonds.

The College has previously agreed to provide the purchase price for any Variable Rate Demand Revenue Bonds, Series Three-Z (Macalester College) which are tendered for purchase. $6,600,000 in principal amount of the Series Three-Z Bonds was outstanding on January 1, 2003.

The College may withdraw Qualified Investments from the account held by the Custodian at any time and use them or the sales proceeds thereof for any purpose.

Conversion to a Fixed Rate

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

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

Notwithstanding the foregoing, the College may direct the Authority to cancel the conversion to a Fixed Rate at any time prior to the Computation Date by giving notice to the Trustee, the Tender Agent, the Authority and the Remarketing Agent.

On the Computation Date, the Remarketing Agent shall determine the Fixed Rate, which shall be the annual interest rate, which, in the determination of the Remarketing Agent, if borne by all outstanding Bonds until their maturity, would result in the market value of such Bonds on that date being as nearly as practicable 100% of, but not less than, the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general market conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders of any Bonds shall have no right to tender such Bonds for purchase.

Redemption

Sinking Fund Redemption

There is no required sinking fund redemption of Bonds.

Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the College, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, without premium, plus accrued interest on the redemption date.

Partial Redemption

If fewer than all of the Bonds at the time outstanding are to be called for prior redemption, the College shall designate to the Trustee the amount of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected randomly, unless otherwise provided in the Indenture, by the Trustee in units of Authorized Denominations. In no event shall such redemption result in less than $100,000 of Bonds remaining outstanding. The College may direct the Trustee to select randomly from among all the Holders and thereafter select randomly the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders.

Notwithstanding the foregoing, while the Bonds are in Book Entry Form, DTC shall select Bonds for redemption within particular maturities according to its stated procedures. In no event shall the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the minimum Authorized Denomination.

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.

Book Entry System

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

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 ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange LLC; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial

Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the security documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar 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 Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants' accounts on the 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 the 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 (nor its nominee), the Registrar, 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 Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased, through its Direct Participant, to the nominee holding the Bonds, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant’s interest in the Bonds, on DTC’s records, to the nominee holding the Bonds. The requirement for physical delivery of the Bonds in connection with a purchase or redemption will be deemed satisfied when the ownership rights in the Bonds are transferred by the Direct Participants on DTC’s records and followed by a book-entry credit of purchased Bonds to the nominee holding the Bonds.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the neither the College nor the Authority takes responsibility for the accuracy thereof.

USE OF PROCEEDS

General

Proceeds of the Bonds and College funds will be used to:

1. Refurbish, refurnish and upgrade data wiring for Doty Hall,
2. Expand, renovate, refurnish and upgrade data wiring for Wallace Hall and Turck Hall,
3. Install fire sprinkler systems in Doty, Wallace, Turck, Bigelow, Dupre, 30 Macalester and Kirk Halls, and
4. Pay certain issuance costs

Total cost of the projects (not including issuance costs) is estimated as follows:

a)	Construction	$13,425,000
b)	Engineering	1,390,000
c)	FF&E	1,045,000
d)	Other	140,000
	Total Project Costs	$16,000,000

The College expects the Bonds will fund the major portion of the Project Costs and reimburse the College for College funds previously expended for the Project. The College will contribute $1,000,000 to pay part of the Project Costs. Allowable costs of issuance will be added to the amount of Project Costs to be borrowed (see "ESTIMATED SOURCES AND USES OF FUNDS" herein).

The Project

The renovation of Doty Hall began in June of 2001 and was ready for occupancy on September 1, 2001. This part of the Project included asbestos abatement, fire sprinkler installation, data wiring upgrade, repainting, carpeting, and new furnishings. Major service providers were Collins Hansen Architects, Hallberg Engineering, People's Electric, Becker Brothers and Part-time Painters. Project Costs, exclusive of fire sprinklering, were in excess of $800,000.

The renovation and expansion of Wallace Hall began in June of 2002, and will be completed in August of 2004, with the majority of the work occurring over the summer months to allow continued use of the facility during academic years. Renovation includes infrastructure as well as amenities. Capacity will be expanded by 24 residents on the penthouse level and elevator access will be added. This will bring the total capacity of the building to 165 residents. In addition, restoration work has been included to restore major public spaces to their original appearance in this building which is the oldest residence hall on campus (built in 1905). Major service providers are Collins Hansen Architects and Kraus Anderson Construction, with whom a construction contract has been executed. Approximately 35% of the expansion and renovation was completed by fall 2002.

The Turck Hall renovation and expansion was approved by the Trustees of the College in January of 2003, at a total project cost of $7.1 million, with $6.9 million to be financed. The remaining $200,000 will come from college capital funds. In addition to full renovation of infrastructure and amenities, this part of the Project will include a 16,000 square foot expansion that will increase the building's capacity by approximately 55 residents, to a total of 196. Architects for this part of the Project are Collins Hansen, with Hallberg Engineering as consulting engineers. Estimates of construction costs based on design development have been obtained by Kraus Anderson Construction, and will be the basis for a construction contract. Construction is expected to begin in May 2003, be suspended for the 2003-04 academic year, and resume in summer 2004, with a September 2004 completion date.

A total of seven residence halls, including the three above, will have smoke detectors, fire alarms and sprinkler equipment installed over a four year period. Installations began in June of 2001 with installations at Doty Hall, continued with installations at Kirk and Dupre Halls in summer 2002, and will conclude with 30 Macalester, Bigelow and Wallace Halls in 2003 and Turck Hall in 2004 (completed by September 2004). Service providers are Collins Hansen Architects, Hallberg Engineering, and Harris Fire protection.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Series Five-Q Bond Proceeds	$15,300,000
College Funds	1,000,000
	$16,300,000
Uses of Funds	
Project Costs	$16,000,000
Costs of Issuance	300,000
	$16,300,000

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

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 or out of other amounts pledged therefor under the Indenture.

The Bonds are secured by the pledge of the Loan Repayments, which are a general, unsecured obligation of the College. The College will agree pursuant to the terms of the Loan Agreement to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the Purchase Price and principal of, and interest on, the Bonds.

The College covenants and agrees in the Loan Agreement to charge tuition fees, other fees, rentals and charges which, together with the College's general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due.

The Bonds are not secured by any mortgage lien on or security interest in any property of the College or by a reserve account. There is no letter of credit to provide liquidity for the purchase price of tendered Bonds.

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

The Bonds will not be secured by the General Bond Reserve of the Authority (see "GENERAL BOND RESERVE ACCOUNT").

ACCOUNTS

Summary

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

Construction Account

There shall be deposited initially into the Construction Account the net proceeds of the Bonds. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of the College's available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds. Upon receipt of specified documentation, the Trustee will reimburse, or pay for the account of the College, costs incurred in connection with the Project and costs of issuing the Bonds. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions.

Bond Purchase Fund

The Bond Purchase Fund shall have two subaccounts: a Remarketing Proceeds Account and a General Account. There shall be deposited to the Bond Purchase Fund (a) to the Remarketing Proceeds Account the proceeds of the remarketing of Bonds by the Remarketing Agent transferred by the Tender Agent to the Trustee, which proceeds (together with any investments thereof and the income therefrom and proceeds thereof) shall at all times be held in the Remarketing Proceeds Account of the Bond Purchase Fund and be traceable by the Trustee to their source and shall not be commingled with any other moneys in the Bond Purchase Fund, provided that no such proceeds shall include any moneys received from the Authority or the College; and (b) to the General Account, all Loan Repayments and all other moneys (except proceeds of a remarketing) received by the Trustee under and pursuant to any of the provisions of the Indenture or the Loan Agreement or otherwise and which are required to be, or are accompanied by directions that such moneys be, credited to the Bond Purchase Fund.

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

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

Bond and Interest Sinking Fund Account

There shall be deposited into the Bond and Interest Sinking Fund Account transfers of amounts in other accounts, as permitted by the Indenture, and Loan Repayments made by the College.

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

While the Bonds bear interest at the Variable Rate, the Reserve Requirement is zero and there is no required deposit into the Reserve Account prior to the Conversion Date.

Redemption Account

There shall be deposited into the Redemption Account all other amounts, if any, required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture for the redemption of Bonds. There are no mandatory sinking fund deposits or redemptions.

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Reserve Account, the Bond Purchase Fund and the Redemption Account shall be invested by the Trustee as the College directs only in investments as authorized by law as amended from time to time, but also limited to the following: Direct obligations of the United States, obligations fully guaranteed by the United States, and obligations issued or guaranteed by certain specific federal agencies; direct and general obligations of state and local governments, rated at the time of purchase at least in the rating category of "AA" or "Aa" for states or "AAA" or "Aaa" for political subdivisions; revenue bond obligations of states and local governments insured by municipal bond insurance and rated at the time of purchase "AAA" or "Aaa"; money market funds, mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements fully collateralized by such obligations; constant dollar money market funds which invest solely in direct obligations of the United States and certain federal agencies and which are rated in the highest rating category; 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 highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less.

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.**

FUTURE FINANCING

The College regularly improves and expands its physical plant and incurs long-term financing as needed for those purposes. The College does not anticipate financing any such projects with debt within the next 36 months other than the Bonds.

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.

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000. Ms. Remedios was the partner in charge of bond counsel services to the Authority at Faegre & Benson LLP, Minneapolis, Minnesota from 1991 to 2000. She was an associate and partner at Faegre & Benson LLP for almost 20 years.

Elaine J. Yungerberg has been Assistant Executive Director of the Authority since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $650 million. The Authority has had 132 issues (including refunded and retired issues) totaling $927,978,307, of which $541,545,443 is outstanding as of January 1, 2003. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

UNDERWRITING

The Bonds are being purchased by RBC Dain Rauscher Inc. as Underwriter. The Underwriter has agreed to purchase the Bonds at a purchase price of $15,242,625.

The Underwriter intends to offer the Bonds initially at par. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

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

RATING

As noted on the cover hereof, Moody’s Investors Service, Inc. (“Moody’s”) has assigned a long-term rating of “Aa3” and a short-term rating of “VMIG1” to the Bonds. The ratings reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's. There is no assurance that either rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are unaware of any litigation either pending or overtly threatened in writing which would affect the validity of or the tax-exempt nature of the interest on the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either party to perform as described therein, or 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 opinion as to validity and tax exemption by Briggs and Morgan, Professional Association, Saint Paul and 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, PLLP, Saint Paul and Minneapolis, Minnesota; and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met upon or 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. Subsequent 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 by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement, the Indenture and the Tax Compliance Certificate contain representations and covenants (the "Tax Covenants") including covenants of the Authority and the College, satisfaction of such requirements upon which Bond Counsel will rely in rendering its opinion.

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, 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 Briggs and Morgan, Professional Association, 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 net 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 Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

FINANCIAL STATEMENTS

The financial statements of the College for the year ended May 31, 2002 have been audited by KPMG LLP, independent public accountants, to the extent set forth in their opinion letter and are included in Appendix V hereto as part of this Official Statement. The financial statements, the notes thereto and the auditor’s opinion should be read in their entirety.

Other financial information concerning the College set forth in Appendix I hereto is unaudited and has been prepared by the College. KPMG LLP has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

MISCELLANEOUS

The description in this Official Statement of certain provisions of the Act, the Bonds, the Indenture, the Loan Agreement and other documents referred to in this Official Statement do not purport to be complete or to quote such documents in full and are only brief summaries or descriptions of certain provisions thereof. Reference is made to the Act and such documents for complete statement of their provisions. Copies of such documents are on file at the offices of the Authority and the Trustee and are available, during the initial offering period of the Bonds, from the Underwriter upon request.

Any statements made in this Official Statement that involve matters of opinions, estimates or projections, whether or not expressly stated as such, are not to be construed as representations of fact.

The delivery of this Official Statement has been authorized by the Authority and approved by the College.

THE COLLEGE

Macalester College is a four-year, co-educational, liberal arts institution located in Saint Paul, Minnesota. The legislature of the State of Minnesota granted a charter to the College in 1874 and the College opened on September 15, 1885. Historically, the College has been affiliated with the Presbyterian Church (USA). The College has a diverse student body and does not discriminate on the basis of religious preference or any other prohibited basis.

The College offers a variety of four year programs leading to a Bachelor of Arts degree and is accredited by the North Central Association of Colleges and Secondary Schools. The College is also registered with the Minnesota Higher Education Services Office in accordance with Minnesota Statutes.

Governance

The College is governed by a Board of Trustees which consists of such number of members as may be determined from time to time by the Board. Currently there are 34 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.

President

Michael S. McPherson has been President of Macalester College since July of 1996. From 1994 to 1996 he was Dean of the Faculty at Williams College. He is currently serving on the Board of the American Council on Education, and serves as co-chairman of the Ford Policy Forum. Earlier, he served on the Board of Trustees for the College Board, 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 seven 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).

Dr. McPherson has announced his plans to leave the College in June of 2003 to assume the presidency of the Spencer Foundation in Chicago, Illinois. The College has commenced a national search for a new President. The College expects to select a new President by September 2003.

Provost of the College

Daniel J. Hornbach was appointed Dean of the Faculty and Provost in June, 1999. He has been a member of the faculty since 1984 and has served as the Science Division Coordinator and Chair of the Biology Department from 1993-1995. Dr. Hornbach continues to have an active research program dealing with the biology, ecology and conservation of freshwater mussels. He was named DeWitt Wallace Professor of Biology at Macalester in November, 1997, and has published numerous papers and abstracts on the ecology of freshwater mussels. His research has been funded by various state and federal agencies.

Treasurer of the College

Craig Aase holds the title of Treasurer, and is the chief investment officer of the College. After serving as chief financial officer for the past seven years, Mr. Aase assumed the CIO role in 2002. He reports to the President, and is responsible for the administration of the College's endowment portfolio and other long term investments, as well as debt issuance and management. He is liaison to the trustee investment committee, and serves on the senior staff of the College. Mr. Aase holds a B.A. from Macalester College, and an MBA from the University of Rochester.

Vice President for Administration and Finance of the College

David Wheaton holds the title of Vice President for Administration and Finance of the College, and serves as chief financial officer of the College. He came to Macalester in 2002 from the William Mitchell College of Law, where he was vice president for administration and finance. Mr. Wheaton reports to the President and serves on the senior staff of the College. He is responsible for development and control of the College's budget, cash management, physical plant and off-campus properties, human resources, and business services. He chairs the task force on the budget, and serves as liaison to the resources and planning committee, as well as the trustee committees on finance and audit. Mr. Wheaton holds a B.A. from the University of Notre Dame, and an MBA from Northwestern University.

Members of the Senior Staff (listed alphabetically)

Craig H. Aase	Treasurer
Richard A. Ammons	Vice President for College Advancement
Joel G. Clemmer	Vice President for Library and Information Technology
Irvin Cross	Athletic Director
Laurie B. Hamre	Vice President for Student Affairs and Dean of Students
Alexander G. Hill	Assistant to the President and Secretary to the Board of Trustees
Daniel Hornbach	Dean of the Faculty and Provost
Lorne Robinson	Dean of Admissions and Financial Aid
David Wheaton	Vice President for Administration and Finance

Campus and Buildings

The College campus occupies approximately 53 acres in a residential neighborhood five miles west of downtown St. Paul. There are 27 buildings on the main campus. The oldest is Old Main, which was built in 1885. Since 1988, the College has invested over $106 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), construction of the new campus center that opened in January 2001 ($18.5 million), renovation of Kagin Commons ($7.5 million in 2002), and numerous renovations. The replacement value of the campus buildings is estimated by the College to be approximately $200,000,000.

The College owns and maintains 12 other buildings adjacent to its campus that 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>

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.

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.

<u>Administrative Support Buildings</u>

Kagin Commons (1962) – In 2002 Kagin Commons was renovated and now includes the Alexander Hill Ballroom, Macalester Academic Center (MAX), Internship Program and Lealtad-Suzuki Center.

Ruth Stricker Dayton Campus Center (2001) - The Campus Center provides space for student, faculty and staff dining, the campus Post Office, the John B. Davis lecture hall, as well as offices for Campus Programs, Career Development, Residential Life, and student government.

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 Macalester (1917) - An administrative support building housing Business Services, 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.

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.

George Draper Dayton Hall (1997) - 20 suites, housing 113 students, completed in July 1997, as a replacement for the old 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, housing 145 students.

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

30 Macalester – 20 rooms, housing 32 students. 30 Macalester connects Bigelow Hall and Wallace Hall.

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

<u>Deferred Maintenance</u>

As a result of fifteen (15) years of extensive campus renovation projects, deferred maintenance on campus buildings is estimated to be less than $3 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 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 honors or advanced courses available to applicants. 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
1997	1,723	1,774
1998	1,754	1,791
1999	1,794	1,835
2000	1,753	1,794
2001	1,787	1,822
2002	1,810	1,840

Geographical Distribution of Student Body

Following is the geographic distribution of full-time students for Fall Term, 2002:

Place of Origin	Number of Students
Minnesota	408
Wisconsin	149
Illinois	90
New York	73
California	69
Iowa	54
Washington	52
Oregon	49
Massachusetts	44
Texas	27
Other States	561
International	264
Total	1,840

Freshmen Applications, Admissions and Enrollments

Fall Semester	Applications Received	Offers of Admission	Percent Admitted	Freshmen Enrolled	Percent of Admitted Enrolled	Mean Composite SAT Scores
1998	2,886	1,606	56%	465	29	1,299
1999	3,161	1,681	53	460	27	1,307
2000	3,410	1,807	53	454	25	1,318
2001	3,480	1,749	50	505	29	1,320
2002	3,713	1,643	44	441*	27	1,327

* The College has an enrollment target of 1,725 FTEs, with 100 to 110 students studying away from campus. In equilibrium this requires an entering class of 450, with historic retention levels. However, increasing retention experienced in recent years, as well as increasing enrollment yield for freshmen, has led to excess enrollment. To sustain the College's target student/faculty ratio and meet housing demands, the College intentionally admitted a smaller freshman class for fall 2002.

Student Retention

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

Fall	New	Percent of Students Returning			Percent of Graduates	
Semester	Freshmen	2nd Year	3rd Year	4th Year	4 Years	By 5th Year
1997	452	89%	85%	82%	75%	80%
1998	465	90	83	79	73	
1999	460	92	87	85		
2000	454	91	88			
2001	505	93				

Tuition, Fees, Room and Board

The College meets the cost of educational programs primarily through tuition and fees. The following table lists the schedule of fees charged full-time undergraduate students for the academic years 1998-99 through 2002-03.

	1998-99	1999-00	2000-01	2001-02	2002-03
Tuition and Fees*	$19,801	$20,688	$21,614	$22,608	$23,772
Room	2,905	2,990	3,080	3,222	3,383
Full Board	2,688	2,770	2,852	2,984	3,133
Total	$25,394	$26,448	$27,546	$28,814	$30,288

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

The College has approved a 5.5% increase in tuition and fees for the 2003-04 academic year.

2002-03 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	$27,272	$290	$4,376	$4,154	$36,092
Bowdoin College	28,070	615	3,230	4,075	35,990
Wesleyan University (Connecticut)	27,474	846	4,670	2,940	35,930
Haverford College	27,006	254	4,810	3,780	35,850
Amherst College	27,800	504	3,950	3,430	35,684
Pomona College	25,730	260	6,060	3,540	35,590
Reed College	27,360	200	3,830	3,640	35,030
Wellesley College	26,138	564	4,174	4,068	34,944
Smith College	25,780	206	4,510	4,440	34,936
Oberlin College	27,880	170	3,570	3,260	34,880
Occidental College	25,920	346	4,090	3,740	34,096
Williams College	26,326	194	3,600	3,630	33,750
Colorado College	25,968	365	3,456	3,024	32,813
Carleton College	26,745	165	2,403	3,132	32,445
Macalester College	**23,604**	**168**	**3,383**	**3,133**	**30,288**
Grinnell College	22,960	570	2,940	3,390	29,860
Lawrence University	23,487	180	2,346	3,111	29,124
St. Olaf College	22,200	0	2,200	2,550	26,950

Source: Higher Education Data Survey and individual colleges.

Faculty and Staff

The teaching student-faculty ratio for the academic year 2001-02 was 11 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 148 full-time and 57 part-time teaching faculty. The total faculty payroll for Fiscal Year 2001-02 was approximately $15.1 million including benefits.

Salaries of Full-Time Instructional Faculty – 2001-02

Academic Rank	Number of Faculty	Average Total Compensation*
Professor	49.0	$104,662
Associate Professor	40.0	80,102
Assistant Professor	54.0	60,822
Instructor	5.0	48,998

* *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, 141 hold PhD's or the highest degree in their field. Approximately 54.1% 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 51 employees, represents custodians, grounds persons, and skilled crafts positions. The engineer unit, composed of 11 employees, represents maintenance and operating engineers. The two current agreements are two-year contracts that expire on August 31, 2004; either party may reopen the contracts on May 31, 2003 for reconsideration of wages only. 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 defined benefit pension plan which supplements retirement benefits of a limited number of past employees not fully covered by other plans. The plan is not available to current Macalester employees. The actuarially calculated unfunded liability under the supplemental plan at May 31, 2002 was approximately $168,000. Total pension expense for the year ended May 31, 2002 was approximately $2,128,000 including $22,000 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 2001/02 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% of all financial aid was funded from federal and state sources. No assurance can be given that federal or State student financial aid or College aid will continue to be funded at current levels.

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

	1998-99	1999-00	2000-01	2001-02	2002-03
Grants	$13,339,000	$14,191,000	$14,964,000	$15,142,455	$16,605,817
Loans	2,610,000	2,764,000	2,965,753	2,759,844	2,753,518
Work-Study	1,512,000	1,501,000	1,567,839	2,119,741	1,731,518
Total	$17,461,000	$18,456,000	$19,497,592	$20,022,040	$21,090,853
Percent of Full-Time Students Receiving Aid	77%	78%	78%	77%	76%
Average Award Per Recipient	$13,278	$13,531	$13,987	$14,198	$15,692

The DeWitt Wallace Fund for Macalester College

The College's long-term investments include funds transferred to the College in 2001 by the DeWitt Wallace Fund for Macalester College (the "Wallace Fund"). DeWitt Wallace was a major benefactor of the College during his lifetime. Prior to his death, the Wallace Fund was established for the benefit of the College in 1980. The Wallace Fund was a separate New York not-for-profit corporation, governed by an independent board of directors and classified by the Internal Revenue Service as a supporting organization under Section 509(a)(3) of the Internal Revenue Code and a tax exempt organization under Section 501(c)(3) of the Code.

The Wallace Fund made annual grants to support College programs as agreed upon by the College and the Wallace Fund. Grants made by the Wallace Fund to the College from 1982 to 2001 totaled $169,640,000. This sum includes grants of $14,850,000 for the fiscal year ended May 31, 2001. Before the assets of the Wallace Fund were transferred to the College, the College reported its beneficial interest in the Wallace Fund assets as College assets in its financial statements.

On July 11, 2001, the Wallace Fund was dissolved and its assets were transferred to the College pursuant to an Endowment Agreement between the College and the Wallace Fund. The Endowment Agreement requires the College to maintain the transferred assets in perpetuity as the DeWitt Wallace Endowment Fund (the "Wallace Endowment") in accordance with the provisions of the Endowment Agreement. The Endowment Agreement permits the College to apply its spending policy annually to the Wallace Endowment principal to determine an "Annual Contribution," which must be used first to support student scholarships and recruitment and faculty development. (See "Spending Policy and Investment Objectives" herein.) Any excess of the Annual Contribution after those needs are met may be used for other needs of the College. In addition, the Endowment Agreement permits the College to expend a portion of the Wallace Endowment (a "Special Contribution") for scholarships and faculty development purposes, provided that (i) the expenditure is approved by two-thirds of the College's Board of Trustees, (ii) the College matches the Special Contribution with a contribution which is at least twice the amount of the Special Contribution, (iii) the Special Contribution does not reduce the fair market value of the Wallace Endowment below eighty percent of its fair market value on the date it was transferred to the College, and (iv) the aggregate of the Special Contribution and all prior Special Contributions does not exceed twenty percent of the fair market value of the Wallace Endowment on the date the Special Contribution is approved by the Board of Trustees. The current fair market value of the Wallace Endowment would not permit the conditions for a Special Contribution to be satisfied. Except for the portion of the Wallace Endowment that may be expended, the Wallace Endowment assets are permanently restricted.

A major portion of the Wallace Fund assets had historically been invested in Reader's Digest non-voting common stock. 2.3 million shares of such stock were part of the transfer of the Wallace Fund assets to the College in July 2001. These shares were subsequently sold, with the proceeds invested in the College's long-term diversified investment portfolio, which is approximately 75% diversified equities and 25% fixed income.

Market Value of Long-Term Investments

With the exception of charitable remainder trusts and investments held for operations (with a combined market value of approximately $27.3 million as of May 31, 2002), the College treats its long-term investments as the principal component of the College's endowment. The following table shows the combined market value of the Wallace Fund assets and the College's long-term investments, including (for fiscal year 2002) the Wallace Endowment, as of May 31 for the past five fiscal years. (See notes to financial statements and Schedule 1 in Appendix V.)

Fiscal Year	Wallace Fund	Long-Term Investments	Total
1998	$322,570,000	$183,181,000	$505,751,000
1999	344,350,000	187,990,000	532,340,000
2000	340,686,000	211,673,000	552,359,000
2001	307,515,000	207,389,000	514,904,000
2002	0	467,786,000	467,786,000

Of the $467,786,000 in long-term investments held by the College on May 31, 2002, $65,497,000 was unrestricted and could be used by the College to pay the principal and Purchase Price of, and interest on, the Bonds as well as debt service on other indebtedness of the College and other obligations of the College. The remainder of the $467,786,000 in long-term investments, including the Wallace Endowment, was permanently restricted or temporarily restricted and could not be used for such purposes unless any restrictions permit the use for such purposes. The December 31, 2002, market value of the College's long-term investments was approximately $420,500,000. The College reports its beneficial interest in a perpetual trust with a value of $26,299,000 as of May 31, 2002, as a College asset in the statement of financial position in the College's financial statements (see Appendix V). The College also treats this perpetual trust as part of its endowment.

According to a survey conducted by the National Association of College and University Business Officers (NACUBO), the College ranked 93rd among 650 higher education institutions and foundations reporting on the market value of total endowment assets at the end of Fiscal Year 2002 and is the sixteenth highest ranked in that list of independent liberal arts colleges.

Spending Policy and Investment Objectives

The College has a total return endowment spending policy, and utilizes a spending rule that provides 5% of a trailing 16 quarter average market value of long term investments. The College also spends dividends and interest received from its beneficial interest in a $26.3 million perpetual trust that appears on the statement of financial position in its financial statements (see Appendix V).

As part of its charge, the investment committee of the College recommends to the Board of Trustees of the College investment objectives and guidelines, including policy portfolio asset allocation targets. Those targets currently are 55% equities, 25% alternative assets, and 20% fixed income. Within the fixed income allocation, targets are set at 15% for long-duration US Treasuries, and 5% for Treasury Inflation-Protected Securities (TIPs).

This allocation to Treasuries is intended to serve as both an inflation and deflation hedge, providing appreciated assets for spending purposes in either of those economic scenarios. Executed through laddered maturities for the Treasuries and 10-year maturities for TIPs, this portfolio has and is expected to provide the College with the benefits of diversification as well as inflation and deflation protection, and also serve as liquidity-providing assets.

Custody Agreement and Reporting

The College owns Qualified Investments (as defined herein in Appendix III) held by a custody agent (the "Custodian") who has entered into an agreement (the "Custody Agreement") with the College to transfer specified amounts to the Trustee under specified conditions. The Custodian is U.S. Bank National Association. Assets so held may be available, if needed, to pay the purchase price on tendered or deemed tendered Bonds and the obligations of the College.

The College has covenanted in the Loan Agreement to provide a monthly report to the Trustee, the Remarketing Agent and each Repository within fifteen (15) Business Days after the end of each month, commencing April 2003, for so long as the Bonds bear interest at a Variable Rate, showing the aggregate value by maturity as of the last Business Day of the immediately preceding month of Available Qualified Investments held by the Custodian pursuant to the Custody Agreement. Investments held by the Custodian shall be deemed to include Qualified Investments on loan to third parties pursuant to collateralized lending arrangements which are available for return to the Custodian upon demand within six (6) days of such demand by the Custodian. See Appendix III for definitions of "Available," "Qualified Investments," and "Repository."

In addition to the obligations entered into in connection with the Bonds, the College has previously agreed to provide the purchase price for any Variable Rate Demand Revenue Bonds, Series Three-Z (Macalester College) tendered for purchase. $6,600,000 in principal amount of the Series Three-Z Bonds was outstanding on January 1, 2003.

The College maintains a portfolio of Qualified Investments with the Custodian. The portfolio holdings since June 2000, comprised of securities (which may have been on loan to third parties) with 10 years or less maturity, has been as follows (at market value, in 000's):

	Treasuries	TIPs*	Total
Jun-00	10,764	10,325	21,089
Dec-00	12,475	10,828	23,303
Jun-01	12,506	11,200	23,706
Dec-01	10,496	11,197	21,693
Jun-02	13,427	12,512	25,939
Dec-02	15,517	20,590	36,107

* Treasury Inflation-Protected Securities

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
1997	$1,596,276	$1,244,721	$1,650,204	$109,514	$5,244,236	$9,844,951
1998	1,253,848	1,928,114	2,422,000	513,326	2,430,460	8,547,748
1999	1,417,335	1,915,238	1,332,074	976,044	2,566,170	8,206,861
2000	1,484,119	2,617,207	22,196,364*	254,239	4,674,659	31,226,588
2001	1,480,890	2,070,266	9,875,833*	519,492	2,598,221	16,544,702
2002	1,655,289	3,076,556	3,664,943	360,373	774,120	9,531,281

* The College recorded $20 million of a bequest in 2000 and $5 million in 2001. See “Capital Campaign” below.

Capital Campaign

A five year, $50 million capital campaign was completed in May 2000, with gifts and pledges totaling $75 million in that period. This total included a $25 million bequest, which was recorded in two installments of $20 million in fiscal year 2000 and $5 million in fiscal year 2001. The above gift data are on a cash basis, while financial statements report on a pledged/accrual basis, with an appropriate discounting of pledges outstanding.

Presentation of Financial Statements

Appendix V sets forth the audited Financial Statements of the College with report of Independent Accountants for the Fiscal Year ended May 31, 2002. The Financial Statements were audited by KPMG LLP and prepared in accordance with generally accepted accounting principles (GAAP). KPMG LLP has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Long-Term Debt of the College

As of January 1, 2003, the College's total long-term debt outstanding, adjusted to include the Bonds, is $61,105,729. As of January 1, 2003, the following bonds and loans were outstanding.

1. 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 of revenues derived from annual student tuition. The principal balance outstanding at January 1, 2003 under both loans is $505,729. Both loans bear interest at 3% per annum, and the aggregate annual debt service for both loans is $38,044.

2. $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. The College provides liquidity for the Series Three-Z Bonds, which are an unsecured general obligation of the College. $6,660,000 was outstanding as of January 1, 2003.

3. $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. $8,950,000 was outstanding as of January 1, 2003.

4. $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. $9,225,000 was outstanding as of January 1, 2003.

5. $22,345,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-U1 and Series Four-U2 (Macalester College) dated July 1, 1998, at 4.94% average interest rate; final maturity due March 1, 2022. The Series Four-U1 and Four-U2 Bonds are an unsecured general obligation of the College. $20,465,000 was outstanding as of January 1, 2003.

Estimated Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement

The following table sets forth the estimated debt service on the Bonds and actual or estimated debt service on the College's currently outstanding long-term debt for each fiscal year during the term of the Bonds. Column 6 shows coverage of such estimated annual debt service by $5,370,000, the amount that was considered by the College to be available for debt service for the fiscal year ended May 31, 2002. Actual long-term debt of the College is expected to increase in the future as additional capital projects are undertaken.

The following table is intended merely to show the relationship of the Fiscal Year 2002 amount available for the payment of debt service to a pro forma statement of estimated annual debt service of the College after giving effect to the assumed interest rate on the Bonds and the Series Three-Z Bonds and assuming that the full principal amount of the Bonds and the Series Three-Z Bonds will be paid only on their respective maturity dates. The assumed rate on the Bonds and the Series Three-Z Bonds is 3.65%, which is an historical 15-year average of similarly rated tax-exempt variable rates. The table is not intended and should not be considered a projection or forecast of future revenues, expenses, debt service, amount available for debt service, or debt service coverage of the College. There is no assurance that the future revenues, expenses, debt service, amount available for debt service, and debt service coverage of the College or the respective relationships thereof will correspond to the revenues, expenses, debt service, amount available for debt service or the respective relationships thereof shown by or reflected in the following table.

Pro Forma Debt Service Coverage Statement

1	2	3	4	5	6
Fiscal Year	Estimated Debt Service on the Bonds *	Estimated Outstanding Long-term Debt Service *	Estimated Combined Long-term Debt Service	2002 Amount Available for Debt Service	Pro Forma Coverage (times)
2003	$107,100	$3,755,344	$3,862,444	$5,370,000	1.39
2004	559,474	3,764,600	4,324,074	5,370,000	1.24
2005	557,426	3,758,046	4,315,472	5,370,000	1.24
2006	558,450	3,753,984	4,312,434	5,370,000	1.25
2007	558,450	3,755,382	4,313,832	5,370,000	1.24
2008	559,474	3,761,768	4,321,242	5,370,000	1.24
2009	557,426	3,751,581	4,309,007	5,370,000	1.25
2010	558,450	3,756,117	4,314,567	5,370,000	1.24
2011	558,450	3,759,267	4,317,717	5,370,000	1.24
2012	559,474	3,762,095	4,321,569	5,370,000	1.24
2013	557,426	3,766,760	4,324,186	5,370,000	1.24
2014	558,450	3,763,731	4,322,181	5,370,000	1.24
2015	558,450	3,777,872	4,336,322	5,370,000	1.24
2016	559,474	3,773,185	4,332,659	5,370,000	1.24
2017	557,426	2,844,666	3,402,092	5,370,000	1.58
2018	558,450	1,924,607	2,483,057	5,370,000	2.16
2019	558,450	1,930,209	2,488,659	5,370,000	2.16
2020	559,474	1,908,998	2,468,472	5,370,000	2.18
2021	557,426	1,889,469	2,446,895	5,370,000	2.19
2022	558,450	1,893,553	2,452,003	5,370,000	2.19
2023	558,450	243,090	801,540	5,370,000	6.70
2024	559,474	6,863,021	7,422,495	5,370,000	0.72
2025	557,426	0	557,426	5,370,000	9.63
2026	558,450	0	558,450	5,370,000	9.62
2027	558,450	0	558,450	5,370,000	9.62
2028	559,474	0	559,474	5,370,000	9.60
2029	557,426	0	557,426	5,370,000	9.63
2030	558,450	0	558,450	5,370,000	9.62
2031	558,450	0	558,450	5,370,000	9.62
2032	559,474	0	559,474	5,370,000	9.60
2033	15,764,096	0	15,764,096	5,370,000	0.34

Calculation of Amount Available for Debt Service in Fiscal Year 2002

Total Revenue	$60,724,000
Realized and Unrealized Losses on Investments	7,990,000
Net Assets Released from Restrictions for Plant	(4,501,000)
Subtotal	$64,213,000
Total Expenses	$64,750,000
Depreciation and Amortization	(3,747,000)
Interest Costs on Debt	(2,160,000)
Subtotal	$58,843,000
2002 Amount Available for Debt Service	$5,370,000

* Interest rates on the Bonds and the College's Series Three-Z Bonds, both variable rate issues, are assumed to be 3.65%, an historical average of tax-exempt variable rates over the prior 15 years.

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FORM OF LEGAL OPINION

February __, 2003

$15,300,000 Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Five-Q (Macalester College)

We have acted as Bond Counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority"), of its $15,300,000 Variable Rate Demand Revenue Bonds, Series Five-Q (Macalester College) (the "Bonds"). We have examined such laws, certified proceedings and other documents, materials and papers, as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations of the Authority and Macalester College, a Minnesota nonprofit corporation (the "College"), contained in the Loan Agreement dated as of February 1, 2003 (the "Loan Agreement") between the College and the Authority, the Trust Indenture dated as of February 1, 2003 (the "Indenture") between the Authority and U.S. Bank, National Association, in St. Paul, Minnesota (the "Trustee"), the Bond Purchase Agreement among the Authority, the College and RBC Dain Rauscher Inc., the opinion of Moore, Costello & Hart, PLLP, St. Paul, Minnesota, of even date herewith, as counsel to the College, the certified proceedings and other certifications of public officials and certifications by officials of the College furnished to us, without undertaking to verify the same by independent investigation. We have assumed the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents.

We have not been engaged, nor have we undertaken, to review the accuracy, completeness, or sufficiency of any offering material related to the Bonds, and we express no opinion relating thereto or as to any other matter not set forth herein.

Based on the foregoing, we are of the opinion that, as of the date hereof, under existing law as presently enacted and construed:

(a) The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota, with authority under Minnesota Statutes, Sections 136A.25 to 136A.42, as amended (the "Act"), to issue the Bonds, to loan the proceeds thereof to the College pursuant to the Loan Agreement and to execute and deliver the Indenture to secure the Bonds.

(b) The Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding special obligations of the Authority, enforceable upon the Authority in accordance with their terms.

(c) The proceedings show lawful authority for the issuance of the Bonds under the Indenture and under the provisions of the Constitution and laws of the State of Minnesota now in force, including the Act.

(d) The Bonds have been duly and validly executed and delivered by the Authority and are valid and binding special obligations of the Authority, enforceable in accordance with their terms, secured by and entitled to the benefits provided by the Indenture; the Bonds are payable solely from the revenues and other sums irrevocably pledged to the payment of the Bonds and interest thereon under the Indenture.

(e) The Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit or taxing powers, if any, but are payable solely from the revenues in accordance with the provisions of the Indenture. The Authority has no taxing powers.

(f) Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includable in gross income for federal income tax purposes and is not includable to the same extent in taxable net income of individuals, estates or trusts for purposes of Minnesota income taxation, but is subject to Minnesota franchise taxes measured by income and imposed on corporations and financial institutions.

(g) Interest on the Bonds will not be a preference item for purposes of computing the federal or State of Minnesota alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax (other than an S corporation, a regulated investment company, a real estate investment trust, or a real estate mortgage investment conduit).

(h) Interest on the Bonds is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States. Further, interest on the Bonds may be subject to federal income taxable under Section 1375 of the Code for S corporations which have Subchapter C earnings and profit at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. We express no opinion as to any of such consequences.

In rendering this opinion, we have assumed continuing compliance by the Authority and the College with the covenants and representations that are intended to comply with the provisions of the Code relating to actions to be taken by the Authority and the College in respect of the Bonds after the issuance thereof to the extent necessary to effect or maintain exclusion of interest on the Bonds from federal gross income. These covenants, representations and requirements relate to, inter alia, the use and investment of proceeds of the Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if required. Failure to comply with certain of such covenants, representations, or requirements may cause the inclusion of interest on the Bonds in gross income for federal or state income purposes from the date of issue.

In rendering this opinion, we have relied on the opinion of Moore, Costello & Hart, PLLP, counsel to the College, as to matters set forth therein, including, without limitation, the status of the College as an organization described in Section 501(c)(3) of the Code.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof and the Bonds, the Indenture and the Loan Agreement may be subject to the exercise of judicial discretion, to general principles of equity, to the valid exercise of the constitutional powers of the United States of America and of the sovereign powers of state of other governmental units having jurisdiction, and to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights heretofore or hereafter enacted.

Very truly yours,

Professional Association

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DEFINITION OF CERTAIN TERMS

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

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the College and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

Authorized Denominations: $100,000 and any integral multiple of $5,000 in excess thereof.

Authorized Institution Representative: the President, the Treasurer, or any other person at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the Chair, Vice Chair or Treasurer of its Board of Trustees or the President or Treasurer of the Corporation. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described in Section 8.05 thereof.

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

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

Board of Trustees: The Board of Trustees of the College, including any Executive Committee, Finance Committee or 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 Purchase Agreement: The Bond Purchase Agreement relating to the Bonds among the Authority, the Underwriter, and the College.

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

Bond Resolution: The Series Resolution of the Authority adopted on February 19, 2003, authorizing the Series Five-Q Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-Q (Macalester College).

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

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its participants.

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

Business Day: (i) When Bonds bear interest at a Variable Rate, any day other than a Saturday, a Sunday, a day on which banking institutions located in the City of Saint Paul, Minnesota, the City of New York, New York, or in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal offices of the Remarketing Agent are located are required or authorized by law to remain closed and other than a day on which the New York Stock Exchange is closed, and (ii) when Bonds bear interest at a Fixed Rate, any day other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are required or authorized by law to remain closed.

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

Computation Date: The date on which the Fixed Rate is to be determined in the case of conversion to Fixed Rate, which shall be not less than 15 days prior to the Proposed Conversion Date.

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

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

Corporation Bond: Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by, the College or the Authority or the Trustee or an agent of the Trustee for the account of the College or the Authority or (ii) with respect to which the College or the Authority has notified the Trustee, or which the Trustee actually knows, was purchased by another person for the account of the College or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the College or the Authority, including, but not limited to, Pledged Bonds.

Date of Taxability: On or after the Conversion Date, the date as of which interest on the Bonds shall be determined to be includable in gross income pursuant to a Determination of Taxability.

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

Determination of Taxability: On or after the Conversion Date, 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 on the Bonds is includable in gross income of the recipient 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, as in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

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

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

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

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

General Account: When used with respect to the Bond Purchase Fund, the account by that name established within such account or fund.

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

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

Holder, Bondholder, or Owner: The person in whose name a Bond is registered, 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 U.S. Bank National Association, Saint Paul, Minnesota, as Trustee, dated as of February 1, 2003, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Initial Rate: The interest rate applicable to the Bonds from the Issue Date to and including Wednesday, February 26, 2003.

Institution: Macalester College, a Minnesota institution of higher education headquartered in the City of Saint Paul, Minnesota and owned and operated by the College.

Interest Accrual Period or Interest Period: (i) With respect to a Weekly Period, a period commencing with the first Business Day of each calendar month during such Weekly Period (or the first day of such Weekly Period, if such day is not the first Business Day of a month) to and including the earlier of the day preceding the first Business Day of the next calendar month and the last day of such Weekly Period and (ii) with respect to the Fixed Rate Period, a period commencing with the first day of a Fixed Rate Period to and including the last day preceding the first Fixed Rate Interest Payment Date, and thereafter a period commencing with each Interest Payment Date to and including the last day preceding the next Interest Payment Date; provided that the Interest Accrual Period with respect to a Mandatory Tender Date which is a Variable Rate Interest Payment Date described in clause (ii) of the definition of Variable Rate Interest Payment Date shall commence on the first day of the immediately preceding Interest Accrual Period and shall end on the day preceding such Variable Rate Interest Payment Date and the next Interest Accrual Period shall commence on such Variable Rate Interest Payment Date.

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

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

Issue: The Bonds.

Issue Date: The date on which the Bonds are delivered to the Underwriter upon original issuance.

Loan Agreement: The Loan Agreement between the Authority and the College relating to the Bonds, dated as of February 1, 2003, as amended or supplemented from time to time.

Loan Repayments: Payments of principal of and interest on the Bonds required to be made by the College to the Trustee pursuant to the Loan Agreement.

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

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

Maximum Rate: The maximum rate, 12% per annum, that may be borne by the Bonds before the Conversion Date.

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, relating to the Project Facilities, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority.

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

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

Principal Payment Date: Prior to the Conversion Date, March 1, 2033 and, after the Conversion Date, such maturity dates as shall be established pursuant to Section 2.10(g) of the Indenture.

Project: The Project consists of (a) the refurbishing, refurnishing and upgrading of the data wiring of Doty Hall, (b) the expanding, renovating, refurnishing and upgrading of the data wiring of Wallace Hall and Turck Hall, and (c) the installing of fire sprinkler systems in Doty, Wallace, Turck, Bigelow, Dupre, 30 Macalester and Kirk Halls.

Project Buildings: The facilities acquired, improved, or constructed with proceeds of the Bonds, including investment earnings.

Project Costs: Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project and for other purposes as provided in the Indenture.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of 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, described in the Loan Agreement.

Proposed Conversion Date: The date on which the interest on the Bonds is to be converted to a Fixed Rate, as specified in the notice given by the College of its election to convert the interest rate on the Bonds to a Fixed Rate.

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

Qualified Investments: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or debentures the principal of and interest on which are fully guaranteed by the United States of America, which mature in ten years or less from the date on which such investments are to be considered "Qualified Investments", (b) evidences of indebtedness issued or guaranteed by federal agencies which have been rated or meet the requirements for being rated "Aaa" by Moody's or (c) money market funds which have been rated or meet the requirements for being rated "Aaa" by Moody's.

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

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

Record Date: (i) with respect to each Variable Rate Interest Payment Date for Bonds, the Business Day next preceding such Variable Rate Interest Payment Date, and (ii) with respect to each Fixed Rate Interest Payment Date, the 15th day of the calendar month next preceding such Fixed Rate Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account: The Redemption Account created under the Indenture for deposit of moneys drawn by the Trustee under the Letter of Credit for redemption of Bonds and deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to make up deficiencies in the Bond and Interest Sinking Fund Account, Bond Purchase Fund and Reserve Account, in that order; 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 Trustee's discretion to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Remarketing Agent: Initially, RBC Dain Rauscher Inc. as remarketing agent, or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

Remarketing Agreement: The Remarketing Agreement dated as of February 1, 2003 between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

Repository: Any nationally recognized municipal securities information repository and any public or private repository ("NRMSIR") recognized by the Securities and Exchange Commission (the "SEC") or entity designated by the State of Minnesota as a state information depository ("SID"), in both cases pursuant to Rule 15(c)2-12 of the SEC, or any central depository established in the future to which deposit of information is recognized as deposit to all NRMSIR's or SID's, as the case may be, by the SEC.

Reserve Account: The Reserve Account established under the Indenture.

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

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

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

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

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

Trustee, Registrar, Paying Agent: U.S. Bank National Association, Saint Paul, Minnesota.

Variable Rate: The variable weekly interest rate established in accordance with the Indenture, with respect to any Bond.

Variable Rate Interest Payment Date: (i) The first Business Day of each calendar month commencing March 3, 2003, (ii) each Mandatory Tender Date described in the Indenture with respect to the Bonds subject thereto, (iii) each Purchase Date described in the Indenture with respect to Pledged Bonds, and (iv) the Conversion Date.

Variable Rate Period: The period during which the Bonds bear interest at a Weekly Rate, from and including the Issue Date to and including the earlier of (i) the day next preceding the Conversion Date or (ii) the date of the last Maturity of any Bonds.

Weekly Interest Rate: With respect to a Bond, a variable interest rate on such Bond established in accordance with the Indenture.

Weekly Period: With respect to the Bonds during the Variable Rate Period, each period, commencing on Thursday of each week and ending on the immediately succeeding Wednesday, during which the Bonds shall bear interest at a Weekly Interest Rate.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project (3.01, 3.06)

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than December 31, 2004 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 will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds in the Construction Account.

Loan Repayments and Payment of Purchase Price of Bonds (4.01, 4.09)

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, and to pay the Purchase Price of Bonds on each Tender Date. To provide for such payments the College covenants to pay for the account of the Authority in the following amounts:

(a) Into the Bond and Interest Sinking Fund Account on or before the Business Day prior to each Interest Payment Date or Principal Payment Date, the amount payable as interest on the Bonds on the next succeeding Interest Payment Date and the amount payable as principal on the Bonds on the next succeeding Principal Payment Date, in each case, less any amounts on deposit in the Bond and Interest Sinking Fund Account available for such payment; and

(b) Into the Bond and Interest Sinking Fund Account, as required, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds then due (whether at maturity, or by sinking fund redemption after the Conversion Date or by acceleration of maturity in event of default; and

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

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

(e) To the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender;

provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the applicable Account or Accounts as provided in the Indenture, and (ii) any credits for amounts transferred under Sections 5.07, 8.02, 8.03 and 8.05 of the Indenture (relating to the transfer of certain investment earnings and certain excess funds).

Prior to the Conversion Date, the College has reserved the right to prepay all or part of the Loan and to redeem Bonds prior to their maturity at any time for any reason as described under "The Bonds–Redemption."

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

Use of Project Facilities (5.01)

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, or 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 (5.02, 5.03)

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture or the Act, 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 (5.02)

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 the acquisition and construction of the Project or 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. Permitted Encumbrances do include mortgages, liens and security interest granted to secure indebtedness of the College.

Taxes and Other Governmental Charges (5.04)

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

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

Insurance (5.07)

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 $500,000.

(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 up to $500,000 and against liability for property damage in the minimum amount for each occurrence of $500,000.

(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; provided that the Corporation may be self-insured with respect to all or any part of its liability for workers' compensation.

Upon the written request of the College, the Trustee (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.

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. The College is required to furnish to the Trustee annually a certificate of insurance compliance.

Damage or Destruction (5.08)

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 $1,000,000, the College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the College, shall either repair, rebuild or restore the damaged facilities, or optionally redeem the Bonds in whole or in part as more fully provided in the Loan Agreement.

Condemnation (5.09)

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

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

Removal or Release of Project Equipment and Building Equipment (5.11)

The College may remove Project Equipment and Building Equipment from the Project Facilities if no Default has occurred and is continuing 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 or value of the Project Facilities;

(b) the College may remove any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the College, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of any item of equipment so removed was less than $25,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer upon such showing by the College as may be satisfactory to the Trustee; and

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

In connection with (a) 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 (6.01)

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

The College agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions, insofar as the same relate to information furnished to the Authority by the College in connection with the sale of the Bonds.

Existence and Accreditation of College and Institution (6.02)

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the College in the Loan Agreement and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful 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 (2.02, 6.02)

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 nonhospital 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 and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax-exempt status of the Bonds, such as by exceeding limitations on the 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 and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status (6.04)

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.

College to be Nonsectarian (6.06)

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 After the Conversion Date (6.09)

In the event a Determination of Taxability is made on or after the Conversion Date that interest on the 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 Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the later of the Date of Taxability or the Conversion Date until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability on or after the Conversion Date, the 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 therefor shall be equal to par plus accrued interest (including additional interest from the Date of Taxability).

Other Covenants (6.03, 6.05, 6.07, 6.09, 6.13)

The College further agrees to provide financial statements and other information to the Authority and the Underwriter; to comply with all applicable laws and regulations against unlawful discrimination, and not to unlawfully 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 Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Offices, 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(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the College to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

Events of Default (7.01)

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

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

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

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

(d) If the College fails to pay or cause to be paid when due the amount of any Purchase Price required to be paid under the Loan Agreement; or

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

(f) 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

(g) 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

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

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

Remedies on Default (7.02)

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

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

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

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Bonds as provided in Section 10.04 of the Indenture and third any excess to the College.
Amendments (8.05)
Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Bonds and so long as any Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

THE INDENTURE

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

Granting Clauses

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

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

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

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

Accounts

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

Trustee's Right to Payment (11.14)

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

Covenants of the Authority (8.06, 9.01, 9.04, 9.07, 9.08, 15.03)

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

Events of Default (10.01)

The following are Events of Default under the Indenture:

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

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

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

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

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

Remedies (10.02, 10.03)

(a) Upon an Event of Default under paragraph (a), (b) or (e) under the foregoing section "Events of Default" the Trustee shall declare the principal of all Bonds secured by the Indenture 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, to annul such declaration at anytime as provided in the Indenture.

(b) Upon and during the continuance of an Event of Default under paragraph (c) or (d) of the foregoing section, the Trustee (i) may, and (ii) 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 secured by the Indenture then outstanding and the interest accrued thereon immediately due and payable, subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding with the Bank's consent to annul such declaration at anytime as provided in the Indenture.

(c) If the Trustee is instructed by the Holders in accordance with the Indenture to annul such declaration of acceleration, the Trustee shall annul such declaration if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest, the reasonable expenses and charges of the Trustee, 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.

(d) Prior to the Conversion Date, upon any declaration of an acceleration under the Indenture, the Trustee shall give notice to Holders in the same manner as a notice of redemption under Article III of the Indenture, stating a date no later than five (5) days after the date of acceleration (the "Accelerated Payment Date"), as the date upon which such Bonds shall be payable and interest on the Bonds shall cease to accrue as of the Accelerated Payment Date.

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 (a) may, and (b) upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds shall proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce the Loan Agreement and 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 or the Bank 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 (11.01, 11.06, 11.14, 11.15, 11.16, 11.18)

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the reference rate of U.S. Bank National Association, which advances are given priority of payment. The Trustee also has a first 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 combined capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, with the consent of the Bank, if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders (10.07, 10.18, 12.01, 12.03, 12.04)

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

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

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

Defeasance (13.01, 13,02)

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 outstanding Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) on or after the Conversion Date, provide for the payment of principal, premium, if any, and interest on the Bonds by depositing with the Trustee at or at any time before maturity an amount either in (A) cash or (B) direct obligations of or obligations fully guaranteed by the United States of America or (C) certificates or other evidence of ownership of principal to be paid or interest to accrue on a pool of securities of the type described in clause (B), which securities are rated in the highest Rating Category by the Rating Agency and are held in custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian, in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all such Bonds outstanding, or

(c) on or after the Conversion Date, deliver to the Trustee (1) proof that notice of redemption of all of such outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in (A) cash or (B) direct obligations of or obligations fully guaranteed by the United States of America or (C) certificates or other evidence of ownership of principal to be paid or interest to accrue on a pool of securities of the type described in clause (B), which securities are rated in the highest Rating Category by the Rating Agency and are held in custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian, 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 the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of the Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of 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 (14.01, 14.04, 14.07)

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

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

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

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

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

(e) to modify the Indenture as authorized by Holders.

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 such 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, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

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

Amendments to the Loan Agreement (15.01, 15.02, 15.03, 15.04)

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

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 except those amendments, changes or modifications which require unanimous consent of the holders of all outstanding Bonds.

The Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

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

Registration (2.04, 2.13)

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 only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, upon request by a registered Owner of more than $1 million principal amount of Bonds, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable payment procedures while in book entry form.

MACALESTER COLLEGE

Annual Financial Statements With Auditors' Opinion for Year Ended May 31, 2002

KPMG

4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Trustees
Macalester College:

We have audited the accompanying statements of financial position of Macalester College (the College) as of May 31, 2002 and 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2002 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

July 26, 2002

KPMG LLP

Macalester College

Statements of Financial Position

May 31, 2002 and 2001

(in thousands of dollars)

		Operations	Investments	Plant	2002 Total		2001 Total
ASSETS							
Cash and cash equivalents	$	11,110	(4,677)	2,155	8,588	$	11,002
Accrued investment income		1,610	30	-	1,640		1,934
Prepaid expenses		331	-	805	1,136		1,173
Notes and accounts receivable, net of allowance for doubtful receivables of $723 (and $709 in 2001)		1,416	4,334	-	5,750		5,604
Contributions receivable, net		2,491	1,412	621	4,524		3,805
Funds for investment in land, buildings and equipment		-	-	2,804	2,804		10,457
Long term investments		5,008	462,778	-	467,786		207,389
Real estate		-	6,051	-	6,051		5,381
Land, buildings and equipment, net of accumulated depreciation		-	-	115,419	115,419		109,397
Beneficial interest in perpetual trust		-	26,299	-	26,299		27,648
Investments owned by DeWitt Wallace Fund for Macalester College		-	-	-	-		307,515
Total assets	$	21,966	496,227	121,804	639,997	$	691,305
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts payable and accrued expenses		7,689	-	470	8,159	$	10,845
Present value of beneficiary payments		-	6,761	-	6,761		6,767
Deferred revenue		2,909	-	-	2,909		1,743
Deposits		219	-	-	219		290
Government grants refundable		-	4,110	-	4,110		3,960
Bonds and mortgages payable		-	-	45,817	45,817		47,279
Total liabilities		10,817	10,871	46,287	67,975		70,884
Net assets:							
Unrestricted:							
For operations		4,819	-	-	4,819		4,303
For investment in plant		-	-	1,971	1,971		5,713
For long term investments		-	30,224	-	30,224		31,558
For endowment payout		-	35,273	-	35,273		40,902
For debt service		-	-	1,874	1,874		1,855
Net investment in plant		-	-	70,839	70,839		64,695
Total unrestricted		4,819	65,497	74,684	145,000		149,026
Temporarily restricted:							
For operations		6,330	-	-	6,330		6,503
For investment in plant		-	-	833	833		4,744
For long term investments		-	76,986	-	76,986		46,555
Total temporarily restricted		6,330	76,986	833	84,149		57,802
Permanently restricted:							
For long term investments		-	342,873	-	342,873		413,593
Total net assets		11,149	485,356	75,517	572,022		620,421
Total liabilities and net assets	$	21,966	496,227	121,804	639,997	$	691,305

See accompanying notes to financial statements.

Macalester College

Statements of Activities

Years ended May 31, 2002 and 2001

(in thousands of dollars)

	Operations	Investments	Plant	2002 Total	2001 Total
Changes in unrestricted net assets:					
Revenue:					
Tuition and fees	$ 39,668	-	-	39,668	$ 37,292
Less: Student aid and scholarships	(16,381)	-	-	(16,381)	(15,085)
Net tuition and fees	23,287	-	-	23,287	22,207
Federal grants and contracts	1,161	-	-	1,161	960
State grants and contracts	130	-	-	130	119
Private gifts and grants	3,662	-	-	3,662	2,732
Sales and service of auxiliary enterprises	8,184	-	-	8,184	7,232
Other sources	516	-	185	701	491
Investment income	605	-	17	622	1,937
Endowment payout	1,551	-	-	1,551	1,455
Realized and unrealized losses on investments, net of gains used in endowment payout	(15)	(7,975)	-	(7,990)	(6,617)
Net assets released from restrictions	24,293	622	4,501	29,416	26,628
Total revenue	63,374	(7,353)	4,703	60,724	57,144
Expenses:					
Instruction	22,410	-	1,680	24,090	24,051
Research	823	-	-	823	740
Public service	565	-	31	596	605
Academic support	5,526	-	415	5,941	5,489
Student services	9,734	-	1,672	11,406	9,716
Institutional support	11,233	-	981	12,214	11,531
Auxiliary enterprises	7,357	470	1,701	9,528	8,371
Administration and other expenses	-	152	-	152	71
Total expenses	57,648	622	6,480	64,750	60,574
Transfers among reporting categories:					
Principal and interest	(3,899)	-	3,899	-	-
Renewals and replacements	(9)	-	9	-	-
Capital improvements	(290)	-	290	-	-
Long term investments	(1,012)	1,012	-	-	-
Total transfers	(5,210)	1,012	4,198	-	-
Change in unrestricted assets	516	(6,963)	2,421	(4,026)	(3,430)
Unrestricted net assets beginning of year, restated	4,303	72,460	72,263	149,026	152,456
Unrestricted net assets at end of year	$ 4,819	65,497	74,684	145,000	$ 149,026

(continued)

See accompanying notes to financial statements.

Macalester College
Statements of Activities
(in thousands of dollars)
(Continued)

	Operations	Investments	Plant	2002 Total	2001 Total
Changes in temporarily restricted net assets:					
Private gifts	$ 981	46	566	1,593	$ 1,277
Other sources	97	-	-	97	28
Investment income	82	-	-	82	154
Endowment payout	20,009	-	24	20,033	18,297
Realized and unrealized losses on investments, net of gains used in endowment payout	-	(40,227)	-	(40,227)	(33,704)
Change in value of split interest agreements	-	2	-	2	51
Net assets released from restrictions	(24,293)	-	(4,501)	(28,794)	(26,208)
Change in donor restrictions	2,951	70,610	-	73,561	3,125
Change in temporarily restricted net assets	(173)	30,431	(3,911)	26,347	(36,980)
Temporarily restricted net assets beginning of year, restated	6,503	46,555	4,744	57,802	94,782
Temporarily restricted net assets at end of year	$ 6,330	76,986	833	84,149	$ 57,802
Changes in permanently restricted net assets:					
Private gifts	$ -	3,450	-	3,450	$ 9,456
Rental income	-	442	-	442	333
Investment income	-	888	-	888	1,282
Endowment payout	-	6	-	6	5
Realized and unrealized gains on investments, net of gains used in endowment payout	-	11	-	11	357
Interest on loans receivable	-	34	-	34	30
Change in value of beneficial interest in perpetual trust	-	(1,350)	-	(1,350)	(1,254)
Change in value of split interest agreements	-	(18)	-	(18)	2,633
Net assets released from restrictions	-	(622)	-	(622)	(421)
Change in donor restrictions	-	(73,561)	-	(73,561)	(3,125)
Net change in permanently restricted net assets	-	(70,720)	-	(70,720)	9,296
Permanently restricted net assets at beginning of year, restated	-	413,593	-	413,593	404,297
Permanently restricted net assets at end of year	$ -	342,873	-	342,873	$ 413,593
Total net assets beginning of year, restated	$ 10,806	532,608	77,007	620,421	$ 651,535
Change in total net assets	343	(47,252)	(1,490)	(48,399)	(31,114)
Total net assets end of year	$ 11,149	485,356	75,517	572,022	$ 620,421

See accompanying notes to financial statements.

Macalester College

Statements of Cash Flows

Years ended May 31, 2002 and 2001

(in thousands of dollars)

		2002	2001
Cash flows from operating activities:			
Change in total net assets	$	(48,399)	(31,114)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		3,747	3,040
Realized and unrealized losses on investments		48,206	39,964
Private gifts and other income restricted for long term investments		(2,830)	(7,558)
Decrease in accrued investment income		294	182
Decrease in prepaid expenses		37	6
(Increase) decrease in notes and accounts receivable		(146)	302
(Increase) decrease in contributions receivable		(719)	2,834
Decrease in accounts payable and accrued expenses		(2,686)	(559)
Decrease in present value of beneficiary payments		(6)	(2,303)
Increase in deferred revenue		1,166	1,743
Decrease in deposits		(71)	(81)
Net cash (used in) provided by operating activities		(1,407)	6,456
Cash flows from investing activities:			
Proceeds from sale of investments		168,481	274,171
Purchase of investments		(169,766)	(285,107)
Purchase of real estate		(473)	(1,003)
Purchase of land, building and equipment		(9,769)	(10,522)
Net cash used in investing activities		(11,527)	(22,461)
Cash flows from financing activities:			
Principal payments on bonds payable		(1,462)	(1,491)
Increase in government grant refundable		150	171
Decrease in funds for investment in land, buildings, and equipment		7,653	1,729
Change in value of beneficial interest in perpetual trust		1,349	1,254
Private gifts, grants and other income restricted for long term investment		2,830	7,558
Net cash provided by financing activities		10,520	9,221
Decrease in cash and cash equivalents		(2,414)	(6,784)
Cash and cash equivalents at beginning of the year		11,002	17,786
Cash and cash equivalents at end of the year	$	8,588	11,002
Supplemental disclosure - cash paid for interest	$	2,138	2,345

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 liberal arts program leading to a Bachelor of Arts degree and is accredited by the North Central Association of Colleges and Secondary Schools.

2) Summary of Significant Accounting Policies

Basis of Presentation

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

> *Permanently restricted net assets*--Net assets subject to donor imposed stipulations that they be maintained permanently by the College. Generally the donor of these assets permits the College to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.
>
> *Temporarily restricted net assets*--Net assets subject to donor imposed stipulations that restrict their use to a specific purpose and/or the passage of time.
>
> *Unrestricted net assets*--Net assets not subject to donor imposed stipulations. Certain of these amounts have been designated by the board for investment purposes as indicated in the presentation.

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

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

Dividends, interest, and net gains or losses, both realized and unrealized, on investments 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 asset;
- 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, except those held for investment purposes.

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 value at date of donation. Long-lived assets, with the exception of land and artwork, are depreciated using the straight-line method over their estimated useful lives.

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

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, notes and accounts receivable, accounts payable and accrued expenses, and deposits approximate fair value because of the short maturity of these financial instruments. Contributions 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 because these financial instruments bear interest at rates that approximate current market rates for debt with similar maturities and credit quality.

Split Interest Agreements

The College's split interest agreements consist primarily of charitable gift annuities, charitable remainder unitrust contracts and pooled life income funds. For those trusts for which the College is the trustee, the assets are reported as long-term investments at their fair value. Contribution revenue is recognized at the dates the trusts are established after recording a liability for the present value of the estimated future payments to be made to the beneficiaries. The obligation is adjusted during the term of the agreement for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits

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

(in thousands of dollars)

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

3) Restatement of Prior Year Financial Information

During fiscal year 2002, the College changed its classification of certain net assets to reflect the purpose restrictions associated with those net assets. The following summarizes the differences between the June 1, 2000, net assets as previously reported and the June 1, 2000, net assets reported herein:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
				-
Net assets as previously reported at May 31, 2000	$172,882	$ 74,376	$404,277	$651,535
Realized and unrealized gains	(20,426)	20,406	20	-
Restated net assets at May 31, 2000	$152,456	$ 94,782	$404,297	$651,535

4) 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. Through July 11, 2001, it was governed by an independent Board of Directors; two of whom were representatives of the DeWitt Wallace-Reader's Digest Fund, the Lila Wallace-Reader's Digest Fund or The Reader's Digest Association, Inc. (RDA); two of whom were representatives of the College; and two of whom were independent directors. The Fund was a separate New York Not-for-Profit Corporation, which had been classified by the Internal Revenue Service as a supporting organization under Section 509(a)(3) and recognized as tax exempt under Section 501(c)(3).

As of May 31, 2001, the market value of the Fund's assets was $307,515, consisting of 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 made annual grants to support College programs as agreed upon by the College and the Fund. Grants made by the Fund to the College from 1982 to 2001 totaled $169,640. This sum includes grants of $14,850 for the fiscal year ended May 31, 2001.

As of May 31, 2001, $238,973 (at fair value) of the Fund's assets were invested in the College's pooled endowment fund. This represented 11,447,903 unitized shares of the pooled endowment fund. The College acted as an investment manager for these assets of the Fund pursuant to an agreement dated May 24, 1990.

5) Dissolution of The DeWitt Wallace Fund for Macalester College

On July 11, 2001, the Fund was dissolved and the assets were legally transferred to the College pursuant to agreement between the College and the Fund. Previous to the transfer of assets, the College reported its beneficial interest in the assets of the Fund as an asset of the College. The agreement dissolving the Fund and transferring the assets to the College allows for a portion of the assets to be expended under specific terms and conditions. The portion of the assets that can be expended are temporarily restricted, resulting in a change in the character of the net assets and a release of permanently restricted net assets. The net assets released are presented in the Statement of Activities as a change in donor restrictions.

(in thousands of dollars)

6) Long Term Investments

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 fair value are as follows:

	2002	2001
Long term investments of Macalester College:		
Cash equivalents	$ 7,661	$ 6,533
Common stocks	187,177	137,182
International equity	87,440	67,540
Preferred stock	5,203	7,148
Corporate bonds	14,529	27,090
U.S. Government obligations	101,684	108,332
Real estate, private equity, other	64,092	92,537
Subtotal fair value	$467,786	$446,362
Less value of units of Macalester endowment owned by DeWitt Wallace Fund for Macalester College	-	(238,973)
Total	$467,786	$207,389
Long term investments of DeWitt Wallace Fund for Macalester College		
Common stock	$ -	$ 68,542
Value of units in the Macalester College endowment	-	238,973
Total	$ -	$307,515
Fair value of long term investments of Macalester College and long term investments of DeWitt Wallace Fund for Macalester College	$467,786	$514,904
Total cost	$470,523	$480,738

Included in the fair value of preferred stocks is $5,202 and $5,189 at May 31, 2002 and 2001, respectively, 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. As of May 31, 2002 and 2001, the fair value of endowments funded in part or fully by DeWitt Wallace are $355,036 and $397,166.

Certain of the College's external investment managers are authorized to use specified derivative contracts in managing the assets under their control, subject to restrictions and limitations adopted by the College. From time to time, the managers may enter into forward currency contracts to hedge currency risk on investments in foreign securities and other future contracts to adjust asset allocation efficiently. Changes in the fair value of the derivative contracts are included in endowment gains and losses and are not significant in 2002 and 2001.

7) Funds Held in Trust by Others

The College's beneficial interest in the fair value of assets in a perpetual trust is $26,299 and $27,648 as of May 31, 2002 and 2001, respectively. For the years ended May 31, 2002 and 2001, the College received $1,032 and $944 from this trust, respectively.

The College is the income beneficiary of a revocable trust with an estimated value of $12,663 and $12,117 as of May 31, 2002 and 2001, respectively, which is controlled by independent trustees. For the year ended May 31, 2002 and 2001, the College received $411 and $408 from this trust, respectively. These assets are not recorded on the financial statements of the College.

8) Valuation and Performance of Long Term Investment Funds

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

Endowment investment and spending is based on a total return policy. The Board of Trustees sets a spending rate which is used to establish the endowment payout. A spending rate of 5.0% is applied to a sixteen-quarter average of investment fair value. If yield (interest and dividend income) is not sufficient to support the resulting payout, the balance is allocated from gains of the endowment assets. Beginning June 1, 1998, the formula-based spending was extended to the RDA common stock and the payout was supplemented by an amount equivalent to investment expenses.

(in thousands of dollars)

The College's endowment payout on pooled and non-pooled assets, as reported in the financial statements is as follows:

Year ended May 31, 2002	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment yield (net of investment expenses of $1,154)	$ 1,027	$ 10,664	$ 3	$ 11,694
Gains used in endowment payout	524	9,369	3	9,896
Endowment payout	$ 1,551	$ 20,033	$ 6	$ 21,590

Year ended May 31, 2001	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment yield (net of investment expenses of $1,050)	$ 1,127	$ 12,090	$ 3	$ 13,220
Gains used in endowment payout	328	6,207	2	6,537
Endowment payout	$ 1,455	$ 18,297	$ 5	$ 19,757

9) Contributions Receivable

Contributions receivable consisted of the following:

	2002	2001
Unconditional promises expected to be collected in:		
Less than one year	$ 1,917	$ 1,443
One year to five years	2,470	2,143
Greater than five years	572	687
Less: Discount to present value (5%)	(435)	(468)
	$ 4,524	$ 3,805

(in thousands of dollars)

10) Land, Building and Equipment

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

	2002	2001
Land and land improvements	$ 1,414	$ 1,414
Buildings	146,901	136,398
Equipment	3,964	3,611
Construction in progress	347	1,483
	152,626	142,906
Less: Accumulated depreciation	(37,207)	(33,509)
	$115,419	$109,397

11) Bonds and Mortgages Payable

Bonds and mortgages payable consist of the following:

	2002	2001
Macalester College Dormitory Bonds of 1962, 3-3/8%, final series due May 1, 2002 (original amount $2,850)	$ -	130
College Housing Program Mortgages at 3%, due in semi-annual installments through 2020 (original amount $880)	517	539
Minnesota Higher Education Facilities Authority variable rate demand revenue bonds of 1994, weekly maturity and rate reset, 1.82% average for current fiscal year, total principal due 2024 (original amount $6,660)	6,660	6,660
Minnesota Higher Education Facilities Authority Revenue Bonds of 1995, 5.48% average, final series due 2016 (original amount $11,245)	8,950	9,380
Minnesota Higher Education Facilities Authority Revenue Bonds of 1997, 5.41% average, final series due 2017 (original amount $11,000)	9,225	9,625
Minnesota Higher Education Facilities Authority Revenue Bonds of 1998, 4.94% average, final series due 2022 (original amount $22,345)	20,465	20,945
	$ 45,817	$ 47,279

To secure the required annual principal and interest payments on the 1962 bonds, the College had: (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, 2001) 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 $279 at May 31, 2001. The 1962 indenture also required the College to transfer $30 annually to a repair and replacement reserve. The 1962 bonds were retired during the year ended May 31, 2002.

The College is involved in the College Housing Program of the U. S. 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 $781 at May 31, 2002 and 2001, and by pledges of gross stadium and tuition revenues.

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 Olin/Rice 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.

In July of 1998, $22,330 of revenue bonds were issued on behalf of the College by MHEFA. The average maturity of the issued bonds is 14.59 years at an average rate of 4.94%. A portion of the proceeds were used, together with other funds of the College, for construction of a new campus center. The remaining portion was used for refunding in advance the 1992 bond issue.

(in thousands of dollars)

Annual debt commitments (principal) at May 31, 2002, are as follows:

Fiscal year ending May 31,	Amount
2003	1,528
2004	1,608
2005	1,680
2006	1,755
2007	1,841
after 2007	37,405
	$ 45,817

Total interest costs on debt aggregated $2,160 and $2,369 during the year ended May 31, 2002 and 2001, respectively.

12) 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, 2002, the High Winds Fund owned nine properties surrounding the College campus.

13) Retirement Plan

The College provides retirement benefits to substantially all employees. Certain academic and non academic personnel are covered under defined contribution plans with Teachers Insurance and Annuity Association and College Retirement Equities Fund, and Vanguard Fiduciary Trust Company. A plan covering union employees is funded by deposits with trustees based on a fixed rate of contribution per hour worked. The College has no liability for these pension plans once deposits are made to the administrators. 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, 2002 and 2001, was approximately $168 and $180, respectively.

Total benefit expense for the year ended May 31, 2002, was $2,128 including $22 paid under the unfunded supplemental plan and for the year ended May 31, 2001, was $1,978 including $25 paid under the unfunded supplemental plan.

(in thousands of dollars)

14) Functional Expenses

Expenses are reported in the College's financial statements in categories recommended by the National Association of College and University Business Officers and are classified among program and supporting services as follows:

	2002	2001
Program - Student instruction and services	$ 54,138	$ 51,353
Management and general	6,820	5,934
Fundraising	3,792	3,287
	$ 64,750	$ 60,574

15) Commitments

The College has outstanding construction contracts totaling approximately $6,040 at May 31, 2002. Completion is estimated for Summer 2002. The College is committed as of May 31, 2002 to invest approximately $43,371 in certain limited partnerships for long term investment purposes.