OFFICIAL STATEMENT DATED FEBRUARY 20, 2007

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

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

$39,490,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-P
(Macalester College)
(DTC Book Entry Only)

Dated Date: March 1, 2007 **Interest Due: March 1 and September 1, commencing September 1, 2007**

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

Year	Amount	Rate	Yield	CUSIP 60416H:	Year	Amount	Rate	Yield	CUSIP 60416H:
2008	$ 830,000	4.00%	3.55%	HW 7	2016	$1,925,000	4.00%	3.95%	JE 5
2009	$1,020,000	4.00%	3.65%	HX 5	2017	$2,005,000	4.00%	3.98%	JF 2
2010	$1,165,000	4.00%	3.68%	HY 3	2018	$2,080,000	5.00%	4.01%	JK 1
2011	$1,295,000	4.00%	3.72%	HZ 0	2019	$2,185,000	5.00%	4.05%	JL 9
2012	$1,465,000	4.00%	3.77%	JA 3	2020	$2,290,000	5.00%	4.07%	JM 7
2013	$1,700,000	4.00%	3.82%	JB 1	2021	$2,415,000	5.00%	4.09%	JN 5
2014	$1,770,000	4.00%	3.86%	JC 9	2022	$2,535,000	5.00%	4.11%	JG 0
2015	$1,855,000	4.00%	3.91%	JD 7					

$5,805,000 4.25% Term Bonds due March 1, 2027 Price 97.628% CUSIP 60416H JH 8
$7,150,000 4.25% Term Bonds due March 1, 2032 Price 96.562% CUSIP 60416H JJ 4

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), at the direction of Macalester College (the "College"), a Minnesota nonprofit corporation, the Bonds maturing on or after March 1, 2018 are subject to redemption in whole or in part prior to maturity, as described herein. The Bonds also are subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and the Indenture. The Bonds are subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. The Bonds maturing March 1 in the years 2027 and 2032 are subject to mandatory redemption in installments as described herein. See "THE BONDS – Prior Redemption" herein.

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

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

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity and tax exemption of the Bonds by McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. 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. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about March 7, 2007.

RBC Capital Markets

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 the Authority, DTC and the Trustee has been obtained from such persons 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, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$39,490,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SIX-P

(MACALESTER COLLEGE)

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, and Macalester College, a Minnesota non-profit corporation and 501(c)(3) organization and the owner and operator of an institution of higher education with its campus located in Saint Paul, Minnesota (the "College"), in connection with the issuance of the Authority's $39,490,000 Revenue Bonds, Series Six-P (Macalester College) (the "Bonds").

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

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") to be dated as of March 1, 2007 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of March 1, 2007 between the College and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds to the College, and the College will covenant as a general obligation of the College to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due.

Bond proceeds will be used to:

1. Pay a portion of the costs to construct on the College's campus a new athletic and recreation center, including replacement of the existing complex and relocation of an athletic field;
2. Refund on a current refunding basis a portion of the Authority's outstanding Series Four-U1 Bonds and Series Four-U2 Bonds (described below);
3. Pay certain issuance costs; and
4. Pay the termination fee on a swap transaction entered into in connection with the issuance of the Bonds.

The new athletic and recreation center will replace an existing athletic complex on the College campus which currently consists of three interconnected buildings housing a gymnasium (built in 1923), a field house (built in 1955), and a natatorium (built in 1983).
In 1998 the Authority issued its Revenue Bonds, Series Four-U1 (Macalester College) (the "Series Four-U1 Bonds") and its Revenue Bonds, Series Four-U2 (Macalester College) (the

“Series Four-U2 Bonds,” the Series Four-U1 Bonds and the Series Four-U2 Bonds collectively referred to as the “Prior Bonds”). The outstanding principal amount of the Series Four-U1 Bonds is $5,695,000 and the outstanding principal amount of the Series Four-U2 Bonds is $12,045,000. Bond proceeds will be used to refund, on a current refunding basis, the principal of the Prior Bonds maturing on March 1, 2008 through March 1, 2022 (the “Refunded Bonds”) and to pay interest that accrues on the Refunded Bonds through the redemption date of on or about April 1, 2007 (the “Redemption Date”). Principal of approximately $760,000 plus interest due on the Prior Bonds on March 1, 2007 will be paid with College funds and not with Bond proceeds. See “USE OF PROCEEDS” herein for a more detailed description of the refunding.

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

The Bonds shall not be legal or moral obligations of the State of Minnesota, nor shall they constitute a debt for which the 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 IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

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

Absence of Collateral

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

Adequacy of Revenues

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

The College’s endowment provides a steady source of income for operations. The College has historically been heavily reliant on income from the endowment, but recent growth in net tuition revenues has lessened this dependency somewhat. Although the broad diversification of the assets in the endowment portfolio provides some cushion against financial market fluctuations, changes in the financial market could adversely affect endowment investment income.

Competition

Competition among top ranked national liberal arts colleges is intense. Selective universities and colleges compete principally based on academic reputation, tuition rates, degree offerings, and location. 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 or change the College's unrestricted net assets.

Reliance on Tuition

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

Financial Aid

Approximately 75% of the College's students currently receive some federal, state or College financial aid covering some portion of 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. See also Appendix I, “THE COLLEGE – Financial Aid.”

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 is provided in APPENDIX I under the caption “Estimated Annual Debt Service for Fiscal Year 2008 and *Pro Forma* Coverage Statement.” The *pro forma* coverage is merely an arithmetical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and debt service requirements, including Loan Repayment obligations.

Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, or the Bonds or the other obligations of the College under such documents. Accordingly, for payment of principal of and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the College under the Loan Agreement and other funds, if any, the Trustee holds under the Indenture. No debt service reserve fund will be established.

No Limitation on Indebtedness

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

Bankruptcy

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

Derivative Products

The College has entered into an interest rate swap agreement in the past. See footnote 8 to the College's financial statements, Appendix VII hereto. In addition, the College has entered into another interest rate swap transaction that it expects to terminate prior to the date the Bonds are issued. The College may enter into other interest rate swaps or other similar arrangements in the future. Under certain market conditions, termination of an interest rate swap agreement prior to its expiration may require the College to pay a termination fee to the counterparty to the agreement and such payment could be material to the College.

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.

See also "TAX EXEMPTION – Minnesota Tax Considerations" herein.

CONTINUING DISCLOSURE

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

THE BONDS

General

The Bonds will be issued in book entry form. The Bonds will be dated March 1, 2007 and will mature annually each March 1, commencing March 1, 2008, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2007.

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.

For further detail on DTC, see Appendix VI, "The Depository Trust Company."

Prior Redemption

Mandatory Redemption

Portions of the Term Bonds maturing on March 1 in the year 2027 and 2032 (the "Term Bonds") shall be called for redemption on March 1 in the years set forth immediately below in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bonds Due March 1, 2027		Term Bonds Due March 1, 2032	
Year	Amount	Year	Amount
2023	$1,065,000	2028	$1,315,000
2024	$1,110,000	2029	$1,370,000
2025	$1,160,000	2030	$1,425,000
2026	$1,210,000	2031	$1,490,000
2027*	$1,260,000	2032*	$1,550,000

* *Stated maturity*

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

The Term Bonds may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

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

Optional Redemption

At the College's request, the Authority may elect to prepay on March 1, 2017 and on any day thereafter Bonds due on or after March 1, 2018. Redemption may be in whole or in part. All prepayments shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

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

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed.

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

Notice of Redemption

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

Determination of Taxability

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

The College has the option to prepay the Loan on the next date for which due notice of redemption can be given, in full or in part and on any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability and without a premium).

USE OF PROCEEDS

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

1. Pay a portion of the costs to construct on the College's campus a new athletic and recreation center, including replacement of the existing complex and relocation of an athletic field;
2. Refund on a current refunding basis the Refunded Bonds;
3. Pay certain issuance costs; and
4. Pay the termination fee to terminate the swap transaction entered into in connection with the issuance of the Bonds.

Athletic and Recreational Center

On January 2, 2007 the College began deconstruction of its existing athletic complex on the College campus, comprised of three interconnected buildings: the Gymnasium (1923), the Field House (1955), and the Natatorium (1983), a six-lane 25-meter swimming pool. The College will replace these buildings with a new athletic and recreation center to be located in substantially the same location as the current complex. The new athletic and recreation center will include a swimming pool, a basketball/volleyball performance gym, a multipurpose fieldhouse, supporting spaces such as locker rooms and storage, a large workout space with exercise equipment, and athletic department offices. In addition, the College's health services are being moved to this building to broaden the building's use to include health and wellness services offered to the College community. Total cost of the new project is estimated at $45,000,000, of which the College will contribute approximately $23,000,000 of its own funds. The College has a guaranteed maximum price contract for labor involved in the construction in place with McGough Construction, the contractor for the project. In addition, the College will be responsible for purchasing building materials and for costs resulting from changes in the project by the College. Hastings and Chivetta, based in St. Louis, Missouri, is the architect for the project. Construction is expected to be completed on or about August 1, 2008.

Refunding

The Refunded Bonds are outstanding in the following amounts:

	Refunded Bonds
Series Four-U1	$ 5,450,000
Series Four-U2	11,530,000
Total:	$16,980,000

The Refunded Bonds have a final maturity date of March 1, 2022 and are callable in full on any date beginning March 1, 2007 at a price of par plus interest accrued to the Redemption Date. The College will pay from its own funds the principal amount of the Series Four-U1 Bonds and the Series Four-U2 Bonds that mature on March 1, 2007 in the amount of $245,000 for the Series Four-U1 Bonds and $515,000 for the Series Four-U2 Bonds, plus interest accruing on all Series Four-U1 Bonds and Series Four-U2 Bonds to that date. The Refunded Bonds maturing in the years 2008 through 2022 in the principal amount of $16,980,000 will be fully redeemed from Bond proceeds on or about April 1, 2007 at a price of par plus interest to the Redemption Date.

At the Issue Date, a portion of the Bond proceeds will be deposited in the Refunding Account created under the Indenture and immediately transferred to the trustee for the Prior Bonds (the "Prior Bonds Trustee") for deposit into the redemption account held by the Prior Bonds Trustee (the "Prior Bonds Redemption Account"). This amount, along with available amounts held by the Prior Bonds Trustee and, if necessary, other available College funds, will be sufficient to provide for the redemption of the Refunded Bonds on the Redemption Date.

The Refunded Bonds, identified by CUSIP, are the following:

Maturity Date March 1:	Series Four-U1	Series Four-U2
2008	604151 P3 8	604151 S3 5
2009	604151 P4 6	604151 S4 3
2010	604151 P5 3	604151 S5 0
2011	604151 P6 1	604151 S6 8
2012	604151 P7 9	604151 S7 6
2013	604151 P8 7	604151 S8 4
2014	604151 P9 5	604151 S9 2
2016	604151 Q3 7	604151 T3 4
2019	604151 Q6 0	604151 T6 7
2022	604151 Q9 4	604151 T9 1

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Series Six-P Bonds	$39,490,000
College contribution	23,000,000
Net original issue premium	590,869
Accrued interest	28,784
Total Sources:	$63,109,653
Uses of Funds	
Deposit to the Construction Account	$22,000,000
College funds to be applied to construction	23,000,000
Deposit to Refunding Account	17,049,687
Accrued interest deposited to bond fund	28,784
Swap termination payment	610,000
Costs of Issuance, including Underwriter's discount	421,182
Total Uses	$63,109,653

In the event Bond issuance costs, including Underwriter's discount, exceed 2% of the Bond proceeds, 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

General

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

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

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

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 Refunding Account, a Bond and Interest Sinking Fund Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, the Refunding Account, and the Bond and Interest Sinking Fund Account, as described below. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due.

Construction Account

There shall be deposited initially into the Construction Account proceeds of the Bonds in the amount of $22,000,000 plus amounts sufficient to pay costs of issuance of the Bonds and the termination fee of the swap transaction entered into with respect to the Bonds. 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, the swap termination fee, 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.

Refunding Account

There shall be deposited initially into the Refunding Account certain Bond proceeds which shall be transferred to the Prior Bonds Redemption Account and which amount, together with available amounts held by the Prior Bonds Trustee and, if necessary, other available College funds, shall be in an amount sufficient to pay the redemption price of the Refunded Bonds on the Redemption Date, as described above. See "USE OF PROCEEDS – Refunding" herein.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account the amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. Deposits into the Bond and Interest Sinking Fund Account shall be made at least one Business Day prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

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

Redemption Account

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

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; and 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 Bond and Interest Sinking Fund Account, the Construction Account and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states rated at least in the rating category of “AA” or “Aa” or political subdivisions of states rated at least “AAA” or “Aaa”; revenue bond obligations of states and their political subdivisions insured by municipal bond insurance and rated “AAA” or “Aaa”; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, states and state political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits of insured state or national banks 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. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments. Monies deposited in the Refunding Account will not be invested in that account, but will be transferred to the Prior Bonds Redemption Account and will be subject to the investment requirements contained in the Prior Bonds Indenture. See “USE OF PROCEEDS – Refunding.”

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. The College does not anticipate financing any such projects with debt within the next twelve months.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (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 Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Marianne T. Remedios has been the Executive Director of the Authority since 2000.

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 $800 million. The Authority has had 159 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $668 million is outstanding as of February 1, 2007. 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 and to refinance other debt for capital improvements.

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

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

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Sector Advisors, 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 underwriter of the Bonds is RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $39,804,439.35 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $276,430.00 plus net original issue premium of $590,869.35) plus accrued interest.

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

The underwriter may conduct a competitive bidding process for the investment of certain bond proceeds, and if such bidding is done will receive a fee.

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

RATING

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

LITIGATION

The Authority and the College are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, 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 unqualified approving opinion as to validity and tax exemption by McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Moore, Costello & Hart, PLLP, Saint Paul and Minneapolis, Minnesota and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota.

TAX EXEMPTION

Federal Tax Considerations

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

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

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

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

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

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

Minnesota Tax Considerations

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

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. §289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes, if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. In January 2006, the Kentucky Court of Appeals held, in *Davis v. Department of Revenue*, that the state's exemption of interest on its own bonds and those of its political subdivisions and its taxation of interest on the bonds of other states and their political subdivisions unlawfully discriminates against interstate commerce. The Kentucky Supreme Court declined to review this decision. Kentucky officials have sought United States Supreme Court review of the *Davis* decision. In 1994, the Ohio Court of Appeals had reached the opposite conclusion on this legal issue, upholding a similar Ohio statute, in *Shaper v. Tracy*.

The United States Supreme Court is expected in the next few weeks to make a decision whether or not to consider the appeal of the *Davis* decision. If the United States Supreme Court were to review and affirm the *Davis* decision, it is likely that Minnesota's tax treatment of state and local government bonds would also be held to be unconstitutional. A challenge of Minnesota's treatment of state and local government bonds is possible even in the absence of a decision by the United States Supreme Court. If Minnesota's treatment of state and local government bonds were held to unlawfully discriminate against interstate commerce, the court would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those and other years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Bonds to become taxable by Minnesota and the market value of the Bonds to decline.

Original Issue Premium

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

Original Issue Discount

The dollar amount of the initial offering price to the public of the Term Bonds maturing in 2027 and 2032 (the "Discount Bonds") is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond. An owner of a Discount Bond who disposes of it prior to maturity should consult such owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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APPENDIX I

THE COLLEGE

Macalester College is a four-year, co-educational, liberal arts institution located in Saint Paul, Minnesota. The legislature of the State of Minnesota granted a charter to 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 28 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

Brian C. Rosenberg has been President of Macalester College since August of 2003. From 1998 to 2003 he was Dean of the Faculty and professor of English at Lawrence University, Appleton, Wisconsin.

Dr. Rosenberg received his B.A. in English from Cornell University, his M.A. in English from Columbia University and his Ph.D. in English from Columbia University. He has held teaching positions at The Cooper Union and Allegheny College. He is a scholar on Charles Dickens, and was elected to the board of trustees of the Dickens Society in 2000.

Dean of the Faculty and Provost

Diane P. Michelfelder has been Dean of the Faculty and Provost at the College since the summer of 2005. She received her A.B. degree from Bryn Mawr College and her Ph.D. in Philosophy from the University of Texas at Austin. Prior to her appointment at Macalester, Dr. Michelfelder served as Dean of the College of Arts and Sciences at Indiana State University. Previously she served as Professor of Philosophy and Chair of the Philosophy Department at California Polytechnic State University and as Professor of Philosophy and Department Head in Languages and Philosophy at Utah State University.

Vice President for Administration and Finance

David Wheaton holds the title of Vice President for Administration and Finance, 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, business services, and information technology. 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.

Chief Investment Officer

Craig H. Aase is the chief investment officer of the College. After serving as chief financial officer for the prior 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. 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.

Members of the Senior Staff (listed alphabetically)

Craig H. Aase	Chief Investment Officer
Thomas P. Bonner	Vice President for College Advancement
Laurie B. Hamre	Vice President for Student Affairs and Dean of Students
Diane P. Michelfelder	Dean of the Faculty and Provost
Lorne T. 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 four 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 $120 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 Ruth Stricker Dayton Campus Center ($18.5 million in 2001), renovation of Kagin Commons ($7.5 million in 2002), and numerous residence hall renovations. The replacement value of the campus buildings is estimated by the College to be approximately $350,000,000.

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.

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
2002	1,810	1,840
2003	1,851	1,884
2004	1,865	1,900
2005	1,841	1,869
2006	1,895	1,918

Geographical Distribution of Student Body

Following is the geographic distribution of full-time students for Fall Term, 2006:

Place of Origin	Number of Full-time Students
Minnesota	386
Wisconsin	143
Illinois	105
New York	95
California	88
Washington	66
Massachusetts	63
Oregon	63
Texas	38
Maryland	37
Other States	587
International	213
Total	1,884

Freshmen Applications, Admissions and Enrollments

Fall Semester	Applications Received	Offers of Admission	Percent Admitted	Freshmen Enrolled	Percent of Admitted Enrolled	Median Composite SAT Scores
2002	3,713	1,643	44	440	27	1,327
2003	4,341	1,920	44	513	27	1,349
2004	4,406	1,706	39	486	29	1,350
2005	4,317	1,893	44	491	26	1,370
2006	4,826	1,881	39	501	27	1,370

Student Retention

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

Fall Semester	New Freshmen	Percent of Students Returning			Percent of Graduates	
		2nd Year	3rd Year	4th Year	4 Years	By 5th Year
2001	505	93%	89%	86%	82%	86%
2002	440	92%	90%	87%	84%	
2003	513	93%	86%	85%		
2004	486	93%	90%			
2005	491	93%				
2006	501					

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 2002-03 through 2006-07.*

	2002-03	2003-04	2004-05	2005-06	2006-07
Tuition	$23,604	$24,902	$26,638	$28,474	$30,870
Room	3,383	3,569	3,820	4,084	4,208
Full Board	3,133	3,305	3,530	3,774	3,774
Student Activity Fees	168	168	168	168	168
Total	$30,288	$31,944	$34,156	$36,500	$39,020

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

2006/2007 Undergraduate Tuition, Fees, Room and Board Comparison (Ranked by Comprehensive Charges)

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

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges
Claremont McKenna College	$34,850	$10,740	$45,590
Wesleyan University	35,230	9,540	44,770
Vassar College	36,030	8,130	44,160
Colby College*	*	*	44,080
Hamilton College	34,980	8,910	43,890
Colgate University	35,030	8,530	43,560
Smith College	32,558	10,880	43,438
Oberlin College	34,426	8,720	43,146
Carleton College	34,272	8,592	42,864
Bryn Mawr College	32,230	10,550	42,780
Washington & Lee University	31,850	7,942	39,792
Macalester College	**31,038**	**7,982**	**39,020**
Grinnell College	29,030	7,700	36,730
Lawrence University	29,598	6,381	35,979
Beloit College	28,350	6,162	34,512
AVERAGE	$32,819	$ 8,626	$41,621

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

Source: College information reported on http://education.yahoo.com/college/essentials as of January 22, 2007.

Faculty and Staff

The teaching student-faculty ratio for the academic year 2006-07 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 154 full-time and 71 part-time teaching faculty. The total faculty payroll for Fiscal Year 2006-07 was approximately $18.85 million including benefits.

Salaries of Full-Time Instructional Faculty – 2006-07

Academic Rank	Number of Faculty	Average Total Compensation*
Professor	54.0	$103,032
Associate Professor	41.0	76,262
Assistant Professor	45.0	61,799
Instructor	14.0	47,215

* *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, 143 hold PhD's or the highest degree in their field. Approximately 82.5% 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. Both agreements expire on May 31, 2007, with negotiations currently underway for new agreements. These are the only two bargaining units at the College.

Pension Plans

The College provides retirement benefits to substantially all employees. Certain academic and non-academic personnel are covered under a defined contribution plan with Teachers Insurance and annuity Association and College Retirement Equities Fund, 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, 2006 and 2005 was approximately $141,000 and $173,000, respectively.

Financial Aid

In the 2005-06 academic year, 1,366 students, or approximately 75% of the student body, received some form of federal, state and/or College financial aid. The typical cost of attendance for that period was $38,500, with 53% of the cost being covered by federal, state and College aid. The College funded 89.8% of grants during that period and approximately 68% of all financial aid, including loans and work. 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.

	2001-02	2002-03	2003-04	2004-05	2005-06
Grants	$16,605,817	$18,375,165	$20,097,246	$21,790,095	$23,145,053
Loans	2,753,518	2,766,474	2,938,622	2,903,925	2,827,894
Work-Study	1,731,518	1,820,037	1,736,775	1,990,938	1,896,965
Total	$21,090,853	$22,961,676	$24,772,642	$26,684,958	$27,869,912
Percent of Full-Time Students Receiving Aid	76%	74.7%	75.5%	75.4	75.0
Average Award Per Recipient	$15,692	$16,712	$17,873	$19,156	$20,402

In January, 2005, the College's Board of Trustees approved a modification to its admissions policies that moved away from a requirement that all domestic first year admissions decisions be made without regard to financial need ("need blind"). Decisions with respect to the admission of international and transfer students were not subject to the need blind policy. The board reaffirmed that most decisions would continue to be made on a need blind basis, but that a financial aid budget could be prepared that could allow for some decisions to be made with more information known about the applicant. The class admitted for the fall of 2006 was the first to be evaluated under this new guideline.

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.

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. Any excess of the Annual Contribution after those needs are met may be used for other needs of the College.

Market Value of Long-Term Investments

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

Fiscal Year	Long-Term Investments
2002	$467,786,000
2003	$443,138,000
2004	$481,339,000
2005	$513,597,000
2006	$576,267,000

The value of the College's long-term investments at December 31, 2006, unaudited and as estimated by the College, was $626,735,000.

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

Fiscal Year	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
2002	$145,000,000	$ 84,149,000	$342,873,000	$572,022,000
2003	$136,088,000	$ 58,622,000	$342,626,000	$537,336,000
2004	$149,052,000	$ 93,140,000	$342,265,000	$584,457,000
2005	$157,146,000	$126,152,000	$341,736,000	$625,034,000
2006	$170,165,000	$187,186,000	$347,705,000	$705,056,000

According to a survey conducted by the National Association of College and University Business Officers (NACUBO), the College ranked 107th among 765 higher education institutions and foundations reporting on the market value of total endowment assets at the end of Fiscal Year 2006 and is the eighteenth highest ranked in that list of independent liberal arts colleges.

Endowment Draw Policy and Investment Objectives

The College has a total return endowment draw policy, and utilizes a draw from endowment rule that provides 5% of a trailing 16 quarter average market value of long term investments. The College's Finance Committee determines the disposition of the funds drawn from the endowment. Historically, the vast majority of the funds have been used to support current operations. The College also withdraws 5% of a 16 quarter average market value from its beneficial interest in a $26.8 million perpetual trust that appears on the statement of financial position in its financial statements (see Appendix VII).

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Gifts and Grants

Gifts and grants revenues 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
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
2003	2,772,140	2,257,725	628,695	163,397	1,202,181	7,024,138
2004	2,882,250	3,247,089	699,862	147,283	272,990	7,249,474
2005	4,364,927	2,678,015	1,517,418	67,977	3,772,404	12,400,741
2006	4,198,187	6,175,237	2,452,470	83,051	11,807,022	24,715,967

* The College recorded $5 million of a bequest in 2001 as a final gift in a prior campaign. See “Comprehensive Campaign” immediately following.

Comprehensive Campaign

The College is in the early stages of a comprehensive campaign that will raise funds for facilities, scholarships, and programming. It is expected that the goal of the campaign will be substantially larger than the last campaign which concluded in 2000 and raised $55 million. Gifts and commitments to the current campaign total approximately $57,000,000 as of December 31, 2006.

Presentation of Financial Statements

Appendix VII sets forth the College’s audited Annual Financial Statements with Auditors Opinion Fiscal Year ended May 31, 2006. 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.

Statement of Unrestricted Activities

The table on the next page sets forth the statement of activities (unrestricted portion only) prepared in accordance with GAAP for the Fiscal Years 2002 through 2006. For more complete information of the College for the Fiscal Years ended May 31, 2006 and 2005, see Appendix VII of this Official Statement.

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

	2002	2003	2004	2005	2006
Revenue:					
Tuition and fees	$ 39,668	$ 41,924	$ 45,598	$ 48,835	$ 52,271
Less: Student aid and scholarship	(16,381)	(18,128)	(19,916)	(21,650)	(23,604)
Net tuition and fees	23,287	23,796	25,682	27,185	28,667
Federal grants and contracts	1,161	1,292	1,390	1,380	1,383
State grants and contracts	130	45	67	57	55
Private gifts and grants	3,662	3,428	4,929	4,365	4,198
Sales and service of auxiliary enterprises	8,184	8,548	10,060	10,480	10,913
Other sources	701	559	1,094	582	789
Investment income	622	520	416	728	1,204
Endowment payout	1,551	1,836	1,910	2,043	2,056
Realized and unrealized gains (losses) on: Investments, net of gains used in endowment payout	(7,990)	(7,486)	9,368	9,100	15,447
Change in value of planned giving arrangements				(3)	5
Change in value in interest rate swap		(964)	1,258	(742)	971
Change in donor restrictions				1,293	0
Net assets released from restrictions	29,416	26,199	25,009	22,953	23,514
Total revenue	60,724	57,773	81,183	79,421	89,202
Expenses:					
Instruction	24,090	25,046	25,331	26,425	28,196
Research	823	581	1,094	977	1,295
Public service	596	568	480	381	516
Academic support	5,941	6,428	6,289	6,355	6,808
Student services	11,406	12,188	12,603	13,085	13,964
Institutional support	12,214	12,333	12,059	12,775	14,047
Auxiliary enterprises	9,528	9,479	10,286	10,747	10,404
Administration and other expenses	152	62	77	165	214
Total expenses	64,750	66,685	68,219	70,910	75,444
Net change in unrestricted net assets	(4,026)	(8,912)	12,964	8,511	13,758
Extraordinary item -- loss from early extinguishment of debt	0	0	0	(417)	(739)
	(4,026)	(8,912)	12,964	8,094	13,019
Unrestricted net assets beginning of year	149,026	145,000	136,088	149,052	157,146
Unrestricted net assets at end of year	$ 145,000	$ 136,088	$ 149,052	$ 157,146	$ 170,165

Source: audited financial statements of the College.

Long-Term Debt of the College

The College's total long-term debt outstanding as of February 1, 2007 is as follows:

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 February 1, 2007 under both loans is $421,670. 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 February 1, 2007.

3. $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. $17,740,000 was outstanding as of February 1, 2007. The College will pay the principal and interest due on the Series Four-U1 Bonds and the Series Four-U2 Bonds on March 1, 2007 from College funds; proceeds from the Series Six-P Bonds will then refund the balance of the Series Four-U1 Bonds and the Series Four-U2 Bonds.

4. $15,300,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-Q (Macalester College), dated February 20, 2003. Holders may tender bonds on seven days' notice; interest is re-set weekly; final maturity due 2033. The College provides liquidity for the Series Five-Q Bonds, which are an unsecured general obligation of the College. $15,300,000 was outstanding as of February 1, 2007.

5. $14,995,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-B (Macalester College) dated December 1, 2004, at 4.73% average interest rate; final maturity due March 1, 2017. The Series Six-B Bonds are an unsecured general obligation of the College. $14,085,000 was outstanding as of February 1, 2007.

6. $3,000,000 Minnesota Higher Education Facilities Authority Revenue Notes, Series Six-F (Macalester College), dated July 22, 2005, at a rate of 4.08%, final maturity due July 22, 2014. The Series Six-F Notes are an unsecured general obligation of the College. $2,572,565 was outstanding as of February 1, 2007.

As of February 1, 2007 the College's total long-term debt outstanding was approximately $56,779,235. When the Bonds are delivered, the College's total long-term debt will increase by the principal amount of the Bonds upon issuance and will decrease by principal payments on outstanding bonds scheduled for March 1, 2007 and by the amount of the Refunded Bonds. The table immediately following shows the College's long-term debt:

Principal outstanding as of January 1, 2007	$ 56,779,235
Principal amount of Bonds	39,490,000
Principal maturities on March 1, 2007	(1,860,000)
Refunded Bonds	(16,980,000)
Long-term debt after issuance of Bonds	$ 77,429,235

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Estimated Annual Debt Service for Fiscal Year 2008
and *Pro Forma* Coverage Statement

Fiscal Year	Actual Debt Service on the Bonds (a)	Estimated Outstanding Long-term Debt Service (b)	Combined Estimated Long-term Debt Service (c)	FY 2006 Amount Available for Debt Service (d)	Pro Forma Coverage (times)(e)
(1)	(2)	(3)	(4)	(5)	(6)
2008	$2,557,038	$3,345,523	$5,902,561	$4,248,000	0.72

Footnotes to the foregoing table:

(a) Debt service on the Bonds is based on actual rates and yields realized on the pricing date of February 13, 2007. The True Interest Cost on the Bonds is 4.34%.

(b) Portions of the College's outstanding debt consist of variable rate debt. The College has entered into an interest rate swap arrangement for part of that debt, creating a synthetic fixed interest rate on that portion of 3.33% during the term of the arrangement. The estimated interest rate on the balance of the College's variable rate bonds is 3.15%, obtained by using the average of variable rates for similar issues for approximately the past 15 years. The College's variable rate debt issues are assumed amortize and to have approximately level annual debt service. Debt service on the College's Series Four-U1 Bonds and Series Four-U2 Bonds is excluded.

(c) The sum of Columns (2) and (3).

(d) Calculation of the amount available for debt service for the Fiscal Year ended May 31, 2006, based on the College's Fiscal Year 2006 audited financial statements:

Total Revenue	$ 89,202,000
Realized and Unrealized Losses/(Gains) on Investments	(15,447,000)
Net Assets Released from Restrictions for Plant	(703,000)
Subtotal	$ 73,052,000
Total Expenses	75,444,000
Depreciation and Amortization	(4,334,000)
Interest Costs on Debt	(2,306,000)
Subtotal	$ 68,804,000
Fiscal Year 2006 Amount Available for Debt Service	$ 4,248,000

(e) Column (5) divided by Column (4).

The College has always placed amounts in its annual budgets to fully pay the annual debt service for its long term debt. The required incremental cash flow to service the Bonds will be incorporated into the 2007/08 budget.

In fiscal year 2006, incremental amounts beyond the original budget were expended for higher fuel costs and to expand the College's extensive overseas study programs to meet student demand. Both of these amounts have also been incorporated in subsequent budgets.

PROPOSED FORM OF LEGAL OPINION

McGrann Shea Anderson Carnival Straughn & Lamb, Chartered

ATTORNEYS AT LAW

WILLIAM R. MCGRANN
ANDREW J. SHEA
DAVID S. ANDERSON
DOUGLAS M. CARNIVAL
ROBERT O. STRAUGHN
PETER L. COOPER
KATHLEEN M. LAMB
JOHN R. SCHULZ
COREY J. AYLING
HENRY M. HELGEN III
RANDOLPH W. MORRIS
SCOTT B. CROSSMAN
CARLA J. PEDERSEN
PAMELA HODGES NISSEN
KATHLEEN MICHAELA BRENNAN
JOSEPH T. BAGNOLI

U.S. BANCORP CENTER
800 NICOLLET MALL
SUITE 2600
MINNEAPOLIS, MINNESOTA
55402-7035

TELEPHONE (612) 338-2525
FACSIMILE (612) 339-2386

JENNIFER A. JAMESON
TIMOTHY J. FOSTER
AMY L. COURT
ROGER J. STELLJES
AMANDA R. CEFALU
SEAN O. SKRYPEK
ALBERT E. LI
CARL S. WOSMEK
CHRISTINE L. MENNEN
EMILY J. PIPER
JEFFREY C. URBAN
MICHAEL P. ELDRIDGE

$39,490,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-P
(Macalester College)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Six-P (Macalester College), in the aggregate principal amount of $39,490,000 (the "Bonds"), dated March 1, 2007, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to Macalester College, a Minnesota nonprofit corporation and institution of higher education located in the city of Saint Paul, Minnesota (the "College") in order to finance construction of educational facilities and refinance existing educational facilities, all owned or to be owned and operated by the College and located on its Saint Paul, Minnesota campus. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of March 1, 2007, one or more opinions of Moore, Costello & Hart P.L.L.P. as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Moore, Costello & Hart P.L.L.P., as to the Loan Agreement having been duly authorized and executed and being binding upon the College and as to the corporate organization, tax exempt status and unrelated trade or business activities, good standing, and powers of the College. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, provided to us by the College, and have not undertaken any examination of the records of the College or original title records or abstracts of title.

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

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

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

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

3. The Bonds are valid and binding limited obligations of the Authority payable from the loan repayments payable by the College under the Loan Agreement which have been assigned to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and are further secured by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payments held by the Trustee, as assignee, under the Loan Agreement.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in taxable income of individuals, estates, and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts, and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership or disposition of the Bonds.

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

Dated at Minneapolis, Minnesota, on this ____ day of March, 2007.

INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be will be the date that is 270 days after each fiscal year end, commencing with the fiscal year ending May 31, 2007. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.
2. The following financial and operating data contained in Appendix I to the Final Official Statement:
   a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:
      - Student Enrollment
      - Geographical Distribution of Student Body
      - Freshman Applications, Admissions and Enrollments
      - Student Retention
      - Tuition, Fees, Room and Board
      - Faculty and Staff
      - Financial Aid
      - Market Value of Long-Term Investments
      - Endowment Draw and Investment Objectives
      - Gifts and Grants
      - Comprehensive Campaign

   b. An update of calculation of Amount Available for Debt Service.

Material Events to be Disclosed

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

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties (this is not applicable to the Bonds);
(v) Substitution of credit or liquidity providers, or their failure to perform (this is not applicable to the Bonds);
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders;
(viii) The giving of notice to redeem any Bonds other than for a sinking fund redemption;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities (this is not applicable to the Bonds) and;
(xi) Rating changes.

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DEFINITION OF CERTAIN TERMS

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

Account or *Accounts:* One or more of the Accounts created under Article IV or V of the Indenture.

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

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

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 and in that case, specimen signatures for the alternates shall be provided as well.

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

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

Authorized Investments: Investments authorized for moneys in the Accounts created under Articles IV and V of the Indenture and described in Section 5.04 of the Indenture.

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

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

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

Bond Purchase Agreement: The Bond Purchase Agreement, dated February 13, 2007 among the Authority, the College, and the Underwriter.

Bond Resolution: The Series Resolution of the Authority to be adopted on February 21, 2007, authorizing the Series Six-P Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Series Six-P Bonds, (a) the period from the Issue Date to the close of business on March 1, 2008 and (b) each succeeding 12-month period ending at the close of business on the anniversary thereof of each year in which the outstanding Series Six-P Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds or *Series Six-P Bonds*: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-P Bonds (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 evidencing their beneficial ownership in any Bond.

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

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

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

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

Construction Account: The Construction Account created under the Indenture for payment of certain costs relating to the Project.

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

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

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

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

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

Holder, Bondholder, or Owner: The person in whose name a Bond shall be 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 Wells Fargo Bank, National Association, as Trustee, to be dated as of March 1, 2007, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Independent: When used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the College or the Institution or the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority or the College or Institution as an officer, employee or member of the Authority, the College or Institution or Board of Trustees of the College.

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

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

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

Issue Date: The date on which the Series Six-P Bonds are delivered to the original purchaser thereof upon original issuance.

Loan Agreement: The Loan Agreement between the Authority and the College, to be dated as of March 1, 2007, as from time to time amended or supplemented.

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

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

Outstanding: When used as of any particular time with reference to Bonds, without regard to capitalization of such term, means (subject to the provisions of Section 9.03 of the Indenture pertaining to Bonds held by the Authority and the College) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of the Indenture pertaining to replacement of Bonds.

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

Prior Bonds: The Series Four-U1 Bonds and the Series Four-U2 Bonds.

Prior Bonds Redemption Account: The Redemption Account created under the Series Four-U Indenture.

Prior Bonds Trustee: Norwest Bank Minnesota, National Association, now consolidated into and succeeded by Wells Fargo Bank, National Association, in its capacity as the Trustee under the Trust Indenture for the Series Four-U1 Bonds and the Series Four-U2 Bonds.

Project: The Project consists of construction on the College's campus of a new athletic facility building, including removal of the existing building and relocation of an athletic field.

Project Buildings: The buildings and facilities constituting the Project as described in the Loan Agreement and the Indenture and acquired, constructed, furnished and equipped with Bond proceeds, including investment earnings, and any other buildings constructed or improved with the proceeds of the Prior Bonds or any bonds refunded by the Prior Bonds (except any such fixtures, equipment or personal property of a capital nature to be removed in furtherance of the Project), including investment earnings.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds or the Prior Bonds or any bonds refunded by the Prior Bonds (except property of a capital nature to be removed in furtherance of the Project), including investment earnings.

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

Project Site: The land on which any of the Project Buildings are located, legally described in Exhibit A to the Loan Agreement.

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

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

Refunded Bonds: Collectively, the Refunded Series Four-U1 Bonds and the Refunded Series Four-U2 Bonds.

Refunded Series Four-U1 Bonds: The Series Four-U1 Bonds maturing on March 1 in the years 2008 through 2022, inclusive, and outstanding in the aggregate principal amount of $5,450,000 on the date hereof. The Refunded Series Four-U1 Bonds do not include the Series Four-U1 Bonds maturing on March 1, 2007 in the principal amount of $245,000.

Refunded Series Four-U2 Bonds: The Series Four-U2 Bonds maturing on March 1 in the years 2008 through 2022, inclusive, and outstanding in the aggregate principal amount of $11,530,000 on the date hereof. The Refunded Series Four-U2 Bonds do not include the Series Four-U2 Bonds maturing on March 1, 2007 in the principal amount of $515,000.

Refunding Account: The account established under the Indenture for the deposit of certain Bond proceeds to be used to refund the Refunded Bonds.

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

Series Four-U Indenture: The Trust Indenture, dated as of July 1, 1998, between the Authority and the Prior Bonds Trustee, relating to the Prior Bonds.

Series Four-U1 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-U1 (Macalester College), dated July 1, 1998.

Series Four-U2 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-U2 (Macalester College), dated July 1, 1998.

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.

Trustee: The trustee at the time serving as such under the Indenture, and initially the Trustee will be Wells Fargo Bank, National Association, Minneapolis, Minnesota.

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

Underwriter: RBC Capital Markets as original purchaser of the Series Six-P Bonds.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Redemption of Refunded Bonds

The College represents that it will cause the Refunded Bonds to be redeemed on or about April 1, 2007.

Loan Repayments

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

(a) at least one (1) Business Day prior to each March 1 and September 1, commencing September 1, 2007, the College shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least one (1) Business Day prior to each March 1, commencing on March 1, 2008, a sum equal to the amount payable as principal (whether at maturity or sinking fund redemption) of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

(d) the College shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate).

Each payment under this Section shall be made directly to the Trustee at its principal corporate trust office for the account of the Authority for deposit as provided in the Indenture. The College shall furnish to the Authority, if the Authority so requests, advice of the transmittal of such payments at the time of transmittal of payment.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

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

Operating Expenses and Liens

The College will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities; provided that the College may in good faith contest such utility and other charges and any mechanics’ or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee shall notify the College that, in the opinion of Independent counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the College shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

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

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

Insurance

The College is required to maintain, or cause to be maintained, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of up to $250,000.

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

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College, provided that the College may be self-insured with respect to all or a 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, 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 to the Trustee annually a certificate of insurance compliance.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $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 redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

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

Condemnation

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

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

Removal of Project Equipment and Building Equipment

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

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

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

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

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

Indemnification

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

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

College to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not 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 institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and be either a state College 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

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), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance capital expenditures incurred after August 5, 1997. 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, within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

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

Institution to be Nonsectarian

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

Determination of Taxability

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

Other Covenants

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

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

Events of Default

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

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

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

(c) [Reserved]

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

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

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

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

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

Remedies on Default

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

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

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

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

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

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Bonds and so long as any Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

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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 “DEFINITION OF CERTAIN TERMS,” Appendix IV, contained herein.

Granting Clauses

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

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

(2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture (but excluding all moneys and investments in the Refunding Account), and (ii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

Accounts

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

Trustee’s Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

Remedies

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

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

Agreement as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee 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 under the Indenture unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum combined capital, surplus and undivided profits of $10 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, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the College shall:

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

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

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

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

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

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

Supplemental Indentures

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

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

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

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

(d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which 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 the Bondholders pursuant to Section 11.04 of the Indenture.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds outstanding (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 to amendments to the Loan Agreement.

Amendments to the Loan Agreement

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee shall consent to or execute any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

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

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THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete and reference is made to the full text of the Continuing Disclosure Agreement for a complete recital of its terms. See also "CONTINUING DISCLOSURE" in this Official Statement.

The College has undertaken the responsibility for continuing disclosure to bondholders as described below, and the Authority shall have no liability to the holders of the Bonds or any other person with respect to continuing disclosure.

The College has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data by not later than 270 days following the end of the College's fiscal year commencing with fiscal year ending May 31, 2007, and to provide notices of the occurrence of certain enumerated events, if material.

The Continuing Disclosure Agreement will be executed and delivered by the College and the Trustee for the benefit of the holders of the Bonds in order to enable the Underwriter to reasonably determine an "undertaking" has been entered into sufficient to assure compliance with the ongoing disclosure requirements of SEC Rule 15c2-12(b)(5).

Definitions

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided in the Continuing Disclosure Agreement) financial and operating data with respect to the Reporting Party described in Exhibit "A" of the Continuing Disclosure Agreement. See Appendix III, "INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE – Annual Reporting."

"Annual Report Date" means, with respect to each Annual Report, the date so designated in Exhibit "A."

"Commission" means the Securities and Exchange Commission.

"Disclosure Representative" means, with respect to the Reporting Party, the person identified in Section 10 of the Continuing Disclosure Agreement as the recipient of notices to be sent thereunder or such other person as the Reporting Party shall designate by written notice to the Trustee.

"Listed Events" shall mean any of the events listed below under "Reporting of Listed Events" below.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" shall mean, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean RBC Dain Rauscher Inc.

"Reporting Party" shall mean, subject to release as provided in "Termination" below, the College; together with any successors or assigns as provided in the Continuing Disclosure Agreement.

"Repository" shall mean each National Repository and each State Repository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934.

“State Repository” shall mean any public or private repository or entity designated by the State of Minnesota as a state repository for the purpose of the Rule. As of the date of the Continuing Disclosure Agreement there is no State Repository.

“Tax-exempt” shall mean that interest on the Bonds is excluded from the gross income, for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Provisions of Annual Report

On or before the Annual Report Date, the Reporting Party shall cause the Annual Report to be delivered to the Authority, the Trustee and each Repository. To the extent included in an Annual Report, the financial statements shall be audited and prepared in accordance with generally accepted accounting principles. Each Annual Report may incorporate any information on file with each Repository or the Commission, instead of setting forth the information in the annual report. Concurrently with the delivery of the Annual Report to the Trustee, there shall be delivered a written certificate from the Reporting Party stating whether or not the Annual Report has been provided to each Repository.

If the Trustee has not received an Annual Report by January 1 of each year, commencing with January 1, 2008, together with the certification by the Reporting Party described above, the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and the certification.

Reporting of Listed Events

The Trustee shall promptly notify the Reporting Party of any of the following occurrences (each, a “Listed Event”) of which it has actual knowledge; and no later than three Business Days after receiving actual notice of the occurrence of a Listed Event, the Reporting Party shall notify the Trustee in writing of the Listed Event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties (this is not applicable to the Bonds);
- (v) Substitution of credit or liquidity providers, or their failure to perform (this is not applicable to the Bonds);
- (vi) Adverse tax opinions or events affecting the Tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) The giving of notice to redeem any Bonds other than for a sinking fund redemption;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities (this is not applicable to the Bonds) and;
- (xi) Rating changes.

Promptly, but no later than five Business Days after either (i) the Reporting Party has received notice from the Trustee of a Listed Event or (ii) the Reporting Party is required to give notice of a

Listed Event to the Trustee, the Reporting Party shall give notice of the occurrence of the Listed Event, if material, to each National Repository and, if required, to the MSRB, and to the State Repository, if any.

The Trustee shall promptly give notice to each National Repository or the MSRB, and to the State Repository, if any, of a failure of the Reporting Party to provide the Annual Report on or before the Annual Report Date.

Termination of Reporting Obligation

The Reporting Party's obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The obligations of the Reporting Party shall also terminate upon the release of the obligation of such party to pay any amounts due or to become due under the Loan Agreement; provided that if such release occurs because of any transfer of assets or the merger of the Reporting Party and the transferee or resultant organization assumes such obligations of the Reporting Party, the Reporting Party shall first require such transferee or resultant organization to assume the obligations of the Reporting Party.

Amendment

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Reporting Party and the Trustee may amend any provision of the Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Reporting Party so long as, in the judgment of the Trustee, its burdens or liabilities are not increased thereby), subject to the following conditions:

(a) the amendment is in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Reporting Party or type of business conducted;

(b) the Continuing Disclosure Agreement, after giving effect to the amendments, would have complied with the requirements of the Rule as of the date of the Official Statement, after taking into account any subsequent amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the Trustee either determines, in its discretion, that the amendment does not materially impair the interest of the Holders of the Bonds or obtains the consent of Holders of at least 51% in aggregate principal amount of the Bonds then outstanding.

In addition, any Annual Report containing amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information.

Additional Information

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement.

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THE DEPOSITORY TRUST COMPANY

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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, tenders, defaults, and proposed amendments to the security documents. For example, 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.

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 unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer or 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, upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, 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, Issuer, or Agent disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the 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, at the College’s direction, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

MACALESTER COLLEGE

ANNUAL FINANCIAL STATEMENTS WITH AUDITORS OPINION FOR YEAR ENDED MAY 31, 2006

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

The Board of Trustees
Macalester College:

We have audited the accompanying statements of financial position of Macalester College (the College), as of May 31, 2006 and 2005, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As described in note 13, the College implemented Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), as of June 1, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

KPMG LLP

Minneapolis, Minnesota
November 29, 2006

MACALESTER COLLEGE

Statements of Financial Position

May 31, 2006 and 2005

(in thousands of dollars)

	Operations	Investments	Plant	2006 Total	2005 Total
ASSETS					
Cash and cash equivalents	$ 9,350	4,646	12,642	26,638	$ 19,252
Collateral on loaned securities	-	73,737	-	73,737	82,508
Accrued investment income	1,018	26	-	1,044	1,273
Prepaid expenses	583	-	783	1,366	1,240
Notes and accounts receivable, net of allowance for doubtful receivables of $ 721 (and $939 in 2005)	1,527	4,714	-	6,241	6,828
Contributions receivable, net	4,019	1,827	8,105	13,951	4,288
Interest rate swap agreement	-	-	524	524	-
Long term investments	9,851	566,416	-	576,267	513,597
Real estate	-	9,764	-	9,764	7,098
Land, buildings and equipment, net of accumulated depreciation	-	-	120,832	120,832	121,917
Beneficial interest in perpetual trust	-	28,466	-	28,466	27,696
Total assets	$ 26,348	689,596	142,886	858,830	$ 785,697
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	$ 9,489	52	956	10,497	$ 10,171
Collateral on loaned securities	-	73,737	-	73,737	82,508
Deferred revenue	213	-	-	213	374
Deposits	227	18	-	245	270
Interest rate swap agreement	-	-	-	-	447
Liabilities under planned giving agreements	-	5,875	-	5,875	5,692
Government grants refundable	-	4,462	-	4,462	4,449
Asset retirement obligation			866	866	
Bonds and mortgages payable	-	-	57,879	57,879	56,752
Total liabilities	9,929	84,144	59,701	153,774	160,663
Net assets:					
Unrestricted:					
For operations	3,435	-	-	3,435	4,823
For long term investments	-	47,134	-	47,134	42,031
For endowment payout	-	52,066	-	52,066	41,896
Net investment in plant	-	-	67,530	67,530	68,396
Total unrestricted	3,435	99,200	67,530	170,165	157,146
Temporarily restricted:					
For operations	12,984	-	-	12,984	7,894
For investment in plant	-	-	15,655	15,655	4,519
For long term investments	-	158,547	-	158,547	113,739
Total temporarily restricted	12,984	158,547	15,655	187,186	126,152
Permanently restricted:					
For long term investments	-	347,705	-	347,705	341,736
Total net assets	16,419	605,452	83,185	705,056	625,034
Total liabilities and net assets	$ 26,348	689,596	142,886	858,830	$ 785,697

See accompanying notes to financial statements.

MACALESTER COLLEGE
Statements of Activities
May 31, 2006 and 2005
(in thousands of dollars)

	Operations	Investments	Plant	2006 Total	2005 Total
Changes in unrestricted net assets:					
Revenues and other additions:					
Tuition and fees	$ 52,271	-	-	52,271	$ 48,835
Less: Student aid and scholarships	(23,604)	-	-	(23,604)	(21,650)
Net tuition and fees	28,667	-	-	28,667	27,185
Federal grants and contracts	1,383	-	-	1,383	1,380
State grants and contracts	55	-	-	55	57
Private gifts and grants	4,198	-	-	4,198	4,365
Sales and service of auxiliary enterprises	10,913	-	-	10,913	10,480
Sale of fixed assets/other sources	789	-	-	789	582
Investment income	1,121	-	83	1,204	728
Endowment payout	2,056	-	-	2,056	2,043
Realized and unrealized gains (losses) on: Investments, net of gains used in endowment payout	(117)	15,564	-	15,447	9,100
Change in value of planned giving agreements	-	5	-	5	(3)
Change in value of interest rate swap	-	-	971	971	(742)
Changes in donor restrictions	-	-	-	-	1,293
Net assets released from restrictions	22,811	-	703	23,514	22,953
Total revenues and other additions	71,876	15,569	1,757	89,202	79,421
Expenses:					
Instruction	26,731	-	1,465	28,196	26,425
Research	1,295	-	-	1,295	977
Public service	474	-	42	516	381
Academic support	6,438	-	370	6,808	6,355
Student services	11,766	-	2,198	13,964	13,085
Institutional support	13,000	-	1,047	14,047	12,775
Auxiliary enterprises	7,901	501	2,002	10,404	10,747
Administration and other expenses	-	214	-	214	165
Total expenses	67,605	715	7,124	75,444	70,910
Transfers among reporting categories:					
Principal and interest	(4,439)	-	4,439	-	-
Capital improvements	(1,034)	-	1,034	-	-
Long term investments	(186)	419	(233)	-	-
Total transfers	(5,659)	419	5,240	-	-
Change in unrestricted net assets before extraordinary loss and cumulative effect of change in accounting principle	(1,388)	15,273	(127)	13,758	8,511
Extraordinary loss on extinguishment of debt	-	-	-	-	(417)
Cumulative effect of a change in accounting principle	-	-	(739)	(739)	-
Change in unrestricted net assets	(1,388)	15,273	(866)	13,019	8,094
Unrestricted net assets beginning of year	4,823	83,927	68,396	157,146	149,052
Unrestricted net assets at end of year	$ 3,435	99,200	67,530	170,165	$ 157,146

See accompanying notes to financial statements.

(Continued)

MACALESTER COLLEGE
Statements of Activities
May 31, 2006 and 2005
(in thousands of dollars)

		Operations	Investments	Plant	2006 Total		2005 Total
Changes in temporarily restricted net assets:							
Private gifts	$	6,175	1,018	11,807	19,000	$	7,726
Other sources		12	-	-	12		37
Investment income		69	-	-	69		26
Endowment payout		21,889	-	23	21,912		22,223
Realized and unrealized gains (losses) on investments, net of gains used in endowment payout		-	43,308	-	43,308		24,178
Change in value of planned giving agreements		-	189	-	189		39
Net assets released from restrictions		(22,811)	-	(703)	(23,514)		(22,953)
Transfers among reporting categories		(244)	235	9	-		-
Change in donor restrictions		-	58	-	58		1,736
Change in temporarily restricted net assets		5,090	44,808	11,136	61,034		33,012
Temporarily restricted net assets beginning of year		7,894	113,739	4,519	126,152		93,140
Temporarily restricted net assets at end of year	$	12,984	158,547	15,655	187,186	$	126,152
Changes in permanently restricted net assets:							
Private gifts	$	-	1,518	-	1,518	$	310
Realized and unrealized gains (losses) on investments, net of gains used in endowment payout		-	3,429	-	3,429		725
Change in value of beneficial interest in perpetual trust		-	769	-	769		901
Change in value of planned giving agreements		-	311	-	311		564
Change in donor restrictions		-	(58)	-	(58)		(3,029)
Net change in permanently restricted net assets		-	5,969	-	5,969		(529)
Permanently restricted net assets at beginning of year		-	341,736	-	341,736		342,265
Permanently restricted net assets at end of year	$	-	347,705	-	347,705	$	341,736
Total net assets beginning of year	$	12,717	539,402	72,915	625,034	$	584,457
Change in total net assets		3,702	66,050	10,270	80,022		40,577
Total net assets end of year	$	16,419	605,452	83,185	705,056	$	625,034

See accompanying notes to financial statements.

MACALESTER COLLEGE
Statements of Cash Flows
May 31, 2006 and 2005
(in thousands of dollars)

		2006	2005
Cash flows from operating activities:			
Change in total net assets	$	80,022	40,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		4,334	4,305
Cumulative effect of change in accounting principle		739	-
Realized and unrealized gains on investments		(61,884)	(33,870)
Extraordinary loss on extinguishment of debt		-	417
Unrealized (gain) loss on interest rate swap		(971)	742
Private gifts and other income restricted for long term investments		(1,518)	(310)
Adjustment of actuarial liabilities for planned giving agreements		817	449
Change in assets and liabilities			
Accrued investment income		229	218
Prepaid expenses		(126)	98
Notes and accounts receivable		587	132
Contributions receivable		(9,663)	(2,203)
Accounts payable and accrued expenses		326	997
Deferred revenue		(161)	(969)
Deposits		(25)	16
Net cash provided by operating activities		12,706	10,599
Cash flows from investing activities:			
Proceeds from sale of investments		312,058	152,469
Purchase of investments		(315,510)	(150,857)
Purchase of land, building and equipment		(3,122)	(3,976)
Net cash used in investing activities		(6,574)	(2,364)
Cash flows from financing activities:			
Proceeds from issuance of bond payable, net		3,000	14,995
Principal payments on bonds payable, including extinguishment of debt		(1,873)	(16,641)
Payments made to beneficiaries of planned giving agreements		(634)	(621)
Increase in government grant refundable		13	117
Change in value of beneficial interest in perpetual trust		(770)	(901)
Private gifts, grants and other income restricted for long term investment		1,518	310
Net cash provided by (used in) financing activities		1,254	(2,741)
Increase in cash and cash equivalents		7,386	5,494
Cash and cash equivalents at beginning of the year		19,252	13,758
Cash and cash equivalents at end of the year	$	26,638	19,252
Supplemental disclosure - cash paid for interest	$	2,432	2,473

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 absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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

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

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

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

(Continued)

Contributions, including unconditional promises to give, are recognized as 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. Bond issue costs are reported as prepaids on the Statement of Financial Position.

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.

(Continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, notes and accounts receivable, accounts payable and accrued expenses, deposits, and deferred revenue approximate fair value because of the short maturity of these financial instruments. Contributions receivable and planned giving agreement liabilities are recorded at fair value using appropriate discount rates.

Long term investments and funds for investment, buildings and equipment in securities traded on national or international securities exchanges are carried at fair value, based upon values provided by external investment managers or quoted market prices. The collateral on loaned securities is reported at fair value based on quoted market prices of the underlying investments. Fair values for certain investments held in alternative structures including partnerships, commingled funds, and limited liability corporations are estimated by the respective investment managers as market values are not readily determinable. These valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information. The estimated values may differ from the values that would have been used had ready markets for the investments existed and the differences could be significantly higher or lower for any specific holding. The beneficial interest in perpetual trust is reported at fair value of the trust assets.

An 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 estimated fair value of the College's revenue bonds was calculated by discounting future cash flows through estimated maturity using the borrowing rate currently available to the College for debt of similar original maturity. The carrying value of the College bonds is $56,645 and $55,420 at May 31, 2006 and 2005, respectively, and the fair value was approximately $57,224 and $56,789. The carrying value approximates the fair value of the Series 1994 and 2003 bonds as the interest rate varies weekly.

Derivative Financial Instruments

In accordance with Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, Macalester accounts for derivative instruments, including derivative instruments embedded in other contracts. SFAS No. 133 requires that derivative instruments be measured at fair value and reported as assets or liabilities in the statements of financial position. Changes in the fair value of derivatives during the year are reported in the statements of activities. Macalester's interest rate swap agreement is considered a derivative financial instrument and has been reported in the statement of financial position at fair value. The change in the fair value of the agreement during the year is reported in the statements of activities. The net cash received or paid under the terms of the interest rate swap agreement over its term is reported as a component of interest expense.

(Continued)

Planned Giving Agreements

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

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

The College is also the beneficiary of a perpetual trust held and administered by others. The estimated fair value of the 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 U.S. generally accepted accounting 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.

Reclassification

Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

(Continued)

(in thousands of dollars)

3) Long Term Investments

The long term investments include funds traditionally considered the endowment of the College as well as assets of funds for planned giving agreements and loan funds totaling $16,863 and $15,585 as of May 31, 2006 and 2005, respectively. The allocations shown at fair value are as follows:

	2006	2005
Long term investments of Macalester College:		
Publicly traded securities:		
Domestic Equity, with $30,930 and $36,674 held in collective trusts	$ 74,722	$131,545
Foreign Equity held in collective trusts	130,299	120,160
Fixed Income	90,493	93,232
Alternative strategies in illiquid structures:		
Domestic Equities	126,928	59,177
Private Equities	42,961	29,461
Absolute Return	48,791	42,937
Real Estate	34,177	20,687
Natural Resources	22,083	10,362
Other	5,813	6,036
Total fair value	$576,267	$513,597
Total cost	$497,981	$450,437

Included in the fair value of other stocks is $5,706 and $5,892, relating to 91,697 and 90,710 shares of the not publicly traded Reader's Digest Association, Inc. preferred stock at May 31, 2006 and 2005, respectively. 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, 2006 and 2005, the fair value of endowments funded in part or fully by DeWitt Wallace is $426,290 and $383,725.

Certain of the College's external investment managers are authorized to use derivative contracts in managing the assets under their control. From time to time, 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. As of May 31, 2006 and 2005, investments totaling $282,579 and $222,274, respectively, included limited use of forward currency contracts, and investments totaling $106,860 and $120,160, respectively, included other derivative instruments.

(Continued)

The College participates in a securities lending program, whereby securities owned by the College and included and reported on the accompanying statement of financial position in the College's investments are loaned to other institutions. As of May 31, 2006 and 2005, the College had loaned certain securities, returnable on demand, with a fair value of \$72,291 and \$80,912, respectively, to several financial institutions that have deposited collateral with respect to such securities of \$73,737 and \$82,508, respectively. The College receives income on the invested collateral and also continues to receive interest and dividends from securities on loan. This transaction has been accounted for as a non-cash investing activity for purposes of the accompanying statement of cash flow.

4) Funds Held in Trust by Others

The College's beneficial interest in the fair value of assets in a perpetual trust is \$28,466 and \$27,696 as of May 31, 2006 and 2005, respectively. For the years ended May 31, 2006 and 2005, the College received \$1,224 and \$1,057 from this trust, respectively.

The College is the income beneficiary of a revocable trust with an estimated value of \$13,483 and \$13,054 as of May 31, 2006 and 2005, respectively, which is controlled by independent trustees. For the year ended May 31, 2006 and 2005, the College received \$303 and \$304 from this trust, respectively. These assets are not recorded on the financial statements of the College.

5) 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 for the pooled investments 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 for 2006 and 2005 of 5.0% is applied to a sixteen-quarter average of investment fair value. The payout is supplemented by an amount equivalent to the investment expenses. If yield (interest and dividend income) is not sufficient to support the calculated payout, the balance is allocated from gains of the endowment assets. As of May 31, 2006 certain individual endowed funds had gain deficiencies totaling \$10 and did not have gains available to supplement yield. The gain deficiencies have been offset by an allocation from unrestricted net assets within the investment pool. As the market value of endowed funds with gain deficiencies increases, the allocation will reverse.

(Continued)

(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, 2006	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment yield (net of investment expenses of $1,653)	$1,198	$11,745	$ 54	$12,997
Gains used in endowment payout	858	10,167	52	11,076
Endowment payout	$2,056	$21,912	$ 105	$24,073

Year ended May 31, 2005	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment yield (net of investment expenses of $1,659)	$1,045	$10,016	$ 46	$11,107
Gains used in endowment payout	998	12,207	62	13,267
Endowment payout	$2,043	$22,223	$ 108	$24,374

6) Contributions Receivable

Contributions receivable consists of the following:

	2006	2005
Unconditional promises expected to be collected in:		
Less than one year	$ 3,588	$ 1,541
One year to five years	11,412	2,886
Greater than five years	267	257
Less: Discount to present value (5%)	(1,316)	(396)
	$13,951	$ 4,288

7) Land, Building and Equipment

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

	2006	2005
Land and land improvements	$ 1,414	$ 1,414
Buildings and building improvements	164,864	163,938
Equipment	4,817	4,258
Construction in progress	2,548	700
	173,643	170,310
Less: Accumulated depreciation	(52,811)	(48,393)
	$120,832	$121,917

(Continued)

(in thousands of dollars)

8) Bonds and Mortgages Payable

Bonds and mortgages payable consist of the following:

	2006	2005
College Housing Program Mortgages at 3%, due in semi-annual installments through 2020 (original amount $880)	422	446
Minnesota Higher Education Facilities Authority (MHEFA) variable rate demand revenue bonds of 1994, weekly maturity and rate reset, 2.89% 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 1998, 4.94% average, final series due 2022 (original amount $22,345)	17,740	18,465
Minnesota Higher Education Facilities Authority variable rate demand revenue bonds of 2003, weekly rate reset as well as a weekly tender option, 2.89% average for current fiscal year, total principal due 2033 (original amount $15,300)	15,300	15,300
Minnesota Higher Education Facilities Authority Revenue Bonds of 2004, 4.73% average, final series due 2017 (original amount $14,995)	14,085	14,995
Minnesota Higher Education Facilities Authority Revenue notes of 2005, 4.08% average, final series due 2014 (original amount $3,000)	2,860	–
	57,067	55,866
Plus unamortized bond premium	812	886
	$57,879	$56,752

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, 2006 and 2005, 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.

(Continued)

(in thousands of dollars)

In July of 1998, $22,345 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 February of 2003, $15,300 of variable rate demand revenue bonds were issued on behalf of the College by MHEFA. The bonds were issued with a weekly rate reset, as well as a weekly tender option. In the event of a tender and unsuccessful remarketing, self liquidity is provided through treasury securities held as long term investments. Proceeds of the issue are being used to finance various dormitory improvements. Loan repayments associated with the bonds will be general obligations of the College, with interest payable monthly and principal payable at maturity, on March 1, 2033.

In December of 2004, $14,995 of revenue bonds were issued on behalf of the College by MHEFA. The average maturity of the issued bonds is 7.04 years, at an average rate of 4.73%. Proceeds of this issue were used to fund the March 1, 2005 redemption of the MHEFA Bonds of 1995, to secure the release of the obligation under the MHEFA Bonds of 1997, and to pay certain issuance costs.

In July of 2005, $3,000 of revenue notes were issued on behalf of the College by MHEFA. The average maturity of the issued notes is 5.02 years at an average rate of 4.08%. Proceeds of this issue are to be used for the acquisition and installation of a replacement administrative computing system to include new hardware, software licenses, and costs of converting data, training and testing.

In direct connection with the variable rate demand revenue bonds issued in 2003, the College entered into an interest rate swap agreement that obligates it to pay a fixed rate of 3.33% annually to the counterparty in exchange for the receipt of a floating payment equal to 67% of the 30 day London Interbank offered rate (LIBOR). The net difference between the amounts paid to and received from the counterparty is recorded as interest expense. Payments under the swap contract are based on a notional amount of $15,000. The contract expires on May 31, 2016. As of May 31, 2006, the estimated market value of the swap contract was $524.

Annual debt commitments (principal) at May 31, 2006, are as follows:

Fiscal year ending May 31,	Amount
2007	2,173
2008	2,256
2009	2,329
2010	2,443
2011	2,552
after 2011	45,314
	$57,067

Total interest costs on debt aggregated $2,306 and $2,716 during the year ended May 31, 2006 and 2005, respectively.

(Continued)

(in thousands of dollars)

9) High Winds Fund

Included in the permanently restricted net assets are resources related to the High Winds Fund. The Fund is subject to the provisions of an agreement between the College and a major benefactor 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, 2006, the High Winds Fund owned nine properties surrounding the College campus. The total value of the assets of the Fund as of May 31, 2006 and 2005 is $13,294 and $10,010, respectively.

10) 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, 2006 and 2005 was approximately $141 and $173, respectively.

Total benefit expense for the year ended May 31, 2006, was $2,556 including $20 paid under the unfunded supplemental plan and for the year ended May 31, 2005, was $2,465 including $20 paid under the unfunded supplemental plan.

11) 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:

	2006	2005
Program - Student instruction and services	$64,723	$60,808
Management and general	6,787	6,753
Fundraising	3,934	3,349
	$75,444	$70,910

(Continued)

12) Commitments

On May 26, 2005 the College entered into a contract to purchase and install administrative computing software with Sungard SCT Corporation. The contract calls for the College to purchase hardware, software licenses, and consulting, conversion, and training services over a three year period. The College evaluated the vendor's products and negotiated its contract in conjunction with three other local private colleges. The installation of the new software will be executed in collaboration with these three colleges.

The College is committed as of May 31, 2006 to invest approximately $78,936 in certain limited partnerships for long term investment purposes.

13) Asset Retirement Obligations

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). Under FIN 47, the College must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The College has identified asbestos abatement as an asset retirement obligation. Asbestos abatement costs were estimated using site surveys and per square foot or per linear foot costs.

FIN 47 requires that the estimate be recorded as a liability and as an increase to the associated assets. The assets are depreciated over their remaining useful lives. The estimated carrying value of such assets, net of accumulated depreciation, at June 1, 2005 was $85 and the asset retirement obligation was $824. Accordingly, the cumulative effect of change in accounting principle as of June 1, 2005 was $739. For the year ended May 31, 2006, depreciation expense of $3 was recorded on the FIN 47 asset and accretion expense of $42 was recognized pertaining to the asset retirement obligation.

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