

NEW ISSUE

RATING: Standard & Poor's: "BBB+"

In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, interest on the Series 2016 Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax. Bond Counsel is of the opinion that the Series 2016 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. See the caption "TAX EXEMPTION" herein.



HENDRIX

\$22,330,000
ARKANSAS DEVELOPMENT FINANCE AUTHORITY
REVENUE REFUNDING BONDS
(HENDRIX COLLEGE PROJECT),
SERIES 2016

Dated: September 1, 2016

Due: October 1, as shown below

The Series 2016 Bonds are special and limited obligations of the Arkansas Development Finance Authority (the "Issuer"). Neither the general credit of the Issuer nor the general credit or the taxing power of the State of Arkansas or any other political subdivision thereof is pledged for the payment of the Series 2016 Bonds. The Series 2016 Bonds are payable from and secured by a pledge of certain revenues and other amounts to be received by the Issuer pursuant to a Loan Agreement and Security Agreement dated as of September 1, 2016 (the "Loan Agreement"), between the Issuer and Hendrix College, an Arkansas nonprofit corporation (the "Borrower").

The proceeds of the Series 2016 Bonds will be used to (i) advance refund the Public Facilities Board of the City of Conway, Arkansas Capital Improvement Revenue Bonds (Hendrix College Projects), Series 2008A Bonds (the "Series 2008A Bonds") and the Public Facilities Board of the City of Conway, Arkansas Capital Improvement Revenue Bonds (Hendrix College Student Life and Technology Center Project), Series 2008B (the "Series 2008B Bonds," and together with the Series 2008A Bonds, the "Series 2008 Bonds"); (ii) currently refund the Issuer's Capital Improvement Revenue Bonds (Hendrix College Athletic Facilities Project), Series 2012C Bonds (the "Series 2012C Bonds") and (iii) to pay the costs of issuance of the Series 2016 Bonds.

The Series 2016 Bonds will be issued only as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2016 Bonds will be issued pursuant to a book-entry system, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. There will be no distribution of the Series 2016 Bonds to ultimate purchasers ("Beneficial Owners"). See the captions "THE BONDS" and "BOOK-ENTRY ONLY SYSTEM" herein. The Series 2016 Bonds are being issued pursuant to and are secured by a Trust Indenture dated as of September 1, 2016, under which Bank of the Ozarks, in the City of Little Rock, Arkansas, is Trustee (the "Indenture"). Principal of the Series 2016 Bonds is payable at the principal corporate trust office of the Trustee, and semiannual interest on the Series 2016 Bonds will be paid each April 1 and October 1, commencing April 1, 2017, by check of the Trustee mailed to the registered owners thereof. The Series 2016 Bonds will be subject to optional, mandatory, and extraordinary redemption prior to maturity as more fully described herein.

The Series 2016 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of validity by Wright, Lindsey & Jennings LLP, Bond Counsel, Little Rock, Arkansas, and certain other conditions. Certain matters will be passed upon for the Borrower by Ellis Arnold, Executive Vice President and General Counsel of Borrower. It is expected that the Series 2016 Bonds will be available for delivery on or about September 1, 2016.

Stephens Inc.
Investment Bankers



The date of this Official Statement is August 24, 2016

MATURITY SCHEDULE

\$22,330,000

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
REVENUE REFUNDING BONDS (HENDRIX COLLEGE PROJECT), SERIES 2016**

\$10,965,000 Serial Bonds

<u>Due (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIPS**</u>
2017	\$ 515,000	2.000%	0.850%	04108K H76
2018	525,000	2.000%	1.050%	04108K H84
2019	535,000	2.000%	1.250%	04108K H92
2020	550,000	3.000%	1.450%	04108K J25
2021	570,000	3.000%	1.650%	04108K J33
2024	935,000	4.000%	2.150%	04108K J58
2025	960,000	2.150%	2.250%	04108K J66
2026	985,000	2.250%	2.350%	04108K J74
2027	1,005,000	2.375%	2.500%	04108K J82
2028	1,030,000	2.500%	2.600%	04108K J90
2029	1,070,000	4.500%*	2.640%	04108K K23
2030	1,115,000	4.500%*	2.700%	04108K K31
2031	1,170,000	4.500%*	2.760%	04108K K49

\$11,365,000 Term Bonds

\$1,790,000	2.000%	Term Bonds due October 1, 2023 to Yield 2.050%	04108K J41
\$3,810,000	4.000%	Term Bonds due October 1, 2034 to Yield 3.030%*	04108K K56
\$5,765,000	3.300%	Term Bonds due October 1, 2038 to Yield 3.400%	04108K K64

*Yield to first optional redemption date of 10/1/26.

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No dealer, broker, salesperson, or other person is authorized to give any information or to make any representation other than as 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 Arkansas Development Finance Authority, Hendrix College, or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Arkansas Development Finance Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The 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 information or opinions set forth herein after the date of this Official Statement.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Appendix A - Definitions of Certain Terms

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for the fiscal years ending May 31, 2015 and May 31, 2014

Appendix C – Unaudited Financial Statements of the Borrower for the fiscal year ending May 31, 2016

Appendix D – Form of Opinion of Bond Counsel

Appendix E – Form of Continuing Disclosure Agreement

OFFICIAL STATEMENT

\$22,330,000

ARKANSAS DEVELOPMENT FINANCE AUTHORITY REVENUE REFUNDING BONDS (HENDRIX COLLEGE PROJECT), SERIES 2016

INTRODUCTORY STATEMENT

The following Introductory Statement is subject in all aspects to the more complete information set forth in this Official Statement. All descriptions and summaries of documents hereinafter set forth are qualified in their entirety by reference to each document. Capitalized terms have the meaning ascribed to them in Appendix A hereto.

This Official Statement, including the cover page and Appendices hereto, is furnished in connection with the issuance and sale of \$22,330,000 ARKANSAS DEVELOPMENT FINANCE AUTHORITY REVENUE REFUNDING BONDS (HENDRIX COLLEGE PROJECT), SERIES 2016 (the "Series 2016 Bonds"), by the Arkansas Development Finance Authority (the "Issuer").

The Issuer is a body politic and corporate of the State of Arkansas (the "State"), organized and existing pursuant to the Arkansas Development Finance Authority Act, codified at Arkansas Code Annotated §§ 15-5-101 *et seq.* (the "Act"). The Series 2016 Bonds are being issued pursuant to the laws of the State, including particularly the Act, resolutions duly adopted by the Issuer, and a Trust Indenture dated as of September 1, 2016 (the "Indenture"), between the Issuer and Bank of the Ozarks, in the City of Little Rock, Arkansas, as Trustee (the "Trustee").

The proceeds of the Series 2016 Bonds will be used to (i) advance refund the Public Facilities Board of the City of Conway, Arkansas Capital Improvement Revenue Bonds (Hendrix College Projects), Series 2008A (the "Series 2008A Bonds") and the Public Facilities Board of the City of Conway, Arkansas Capital Improvement Revenue Bonds (Hendrix College Student Life and Technology Center Project), Series 2008B (the "Series 2008B Bonds," and together with the Series 2008A Bonds, the "Series 2008 Bonds"), (ii) currently refund the Issuer's Capital Improvement Revenue Bonds (Hendrix College Athletic Facilities Project), Series 2012C (the "Series 2012C Bonds") and (iii) to pay the costs of issuance of the Series 2016 Bonds.

Pursuant to a Loan Agreement and Security Agreement dated as of September 1, 2016, between the Issuer and the Borrower (the "Loan Agreement"), the Issuer is lending the proceeds of the Series 2016 Bonds to the Borrower in return for payments sufficient to pay the principal of, premium, if any, and interest on the Series 2016 Bonds as and when the same become due and payable, and to pay the fees, charges and expenses of the Issuer and Trustee. The obligations of the Borrower under the Loan Agreement are secured by a pledge of and lien on all Student Net Tuition Revenues, board revenue, and housing revenue received by the Borrower (the "Pledged Revenues"). See the caption "**SECURITY FOR THE BONDS - The Pledged Revenues**" herein. The Series 2016 Bonds are not secured by a mortgage on or security interest in any real or tangible personal property. The Series 2016 Bonds are issued on a parity of security and redemption with \$42,460,000 aggregate principal amount of the Arkansas Development Finance Authority Revenue Refunding Bonds (Hendrix College Project), Series 2012A (the "Series 2012A Bonds") dated August 1, 2012, and the Arkansas Development Finance Authority Revenue Capital Improvement and Refunding Bonds (Hendrix College Projects), Series 2012B dated August 1, 2012 (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Series 2012Bonds").

Pursuant to the Indenture, all right, title and interest of the Issuer in and to the Loan Agreement (except for certain rights to indemnification and payment of expenses), including the Issuer's right to receive payments and the pledge of the Pledged Revenues, are assigned to the Trustee to secure the payment of the Series 2016 Bonds.

The Series 2016 Bonds are limited obligations of the Issuer. Neither the Issuer, the State nor any political subdivision thereof shall in any event be liable for the payment of the principal of or interest on the Series 2016 Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Borrower. None of the Series 2016 Bonds or any of the agreements or obligations of the Borrower shall be construed to constitute an indebtedness, liability, general or moral obligation, pledge of the faith, loan of credit, or

charge against the taxing power of the Issuer, the State or any political subdivision thereof within the meaning of any constitutional or statutory provision. The Issuer has no taxing power.

This Official Statement contains descriptions of, among other matters, the Series 2016 Bonds, the Borrower, Hendrix College (the "College"), the Indenture and the Loan Agreement. Such descriptions and information do not purport to be comprehensive or definitive. Definitions of certain words and terms used in this Official Statement are set forth in Appendix A hereto. A copy of the Accountants' Report and Consolidated Financial Statements of the Borrower for the fiscal year ending May 31, 2015 and fiscal year ending May 31, 2014 are attached as Appendix B hereto. A copy of the unaudited financial statement of the Borrower for fiscal year ending May 31, 2016, is attached as Appendix C hereto. A copy of the form of opinion of Bond Counsel is attached as Appendix D hereto. All references herein to the Indenture and the Agreement are qualified in their entirety by reference to such documents, and references herein to the Series 2016 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of such documents may be obtained from Bond Counsel.

THE SERIES 2016 BONDS

General Description

The Series 2016 Bonds are issuable only as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof. Each Series 2016 Bond shall be dated September 1, 2016, and shall bear interest from September 1, 2016 or, if authenticated on an interest payment date, from such date, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2017.

The Series 2016 Bonds are issuable only in the form of fully registered bonds and, when issued, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal, premium, if any, and interest payments on the Series 2016 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2016 Bonds. Individual purchases of the Series 2016 Bonds will be made only in book-entry form, in denominations of \$5,000 or integral multiples thereof. Individual purchasers ("Beneficial Owners") of the Series 2016 Bonds will not receive physical delivery of bond certificates. See "BOOK-ENTRY ONLY SYSTEM."

All interest payments on the Series 2016 Bonds shall be payable to the persons in whose name such Series 2016 Bonds are registered on the bond registration books maintained by the Trustee as of the fifteenth day next preceding the applicable interest payment date (the "Record Date"). Principal of and premium, if any, on the Series 2016 Bonds shall be payable at the principal corporate trust office of the Trustee. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2016 Bonds to the extent of the sum or sums so paid. So long as DTC or its nominee is the registered owner of the Series 2016 Bonds, disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants, as more fully described herein.

Bank of the Ozarks, in the City of Little Rock, Arkansas, is Trustee, Registrar, and Paying Agent for the Series 2016 Bonds. Additional Paying Agents may be appointed, and the Registrar and any Paying Agent may be removed or replaced by the Issuer in accordance with the Indenture.

Optional Redemption

On and after October 1, 2026, the Series 2016 Bonds, or any series of bonds within the Series 2016 Bonds, are callable for redemption at the option of the Issuer (which option shall be exercised only on the request of the Borrower), in whole or in part at any time, at a redemption price equal to 100% of the principal amount being redeemed plus accrued interest to the date of redemption.

Extraordinary Redemption

The Series 2016 Bonds are callable for redemption by Issuer, at the option of Issuer (which option shall be exercised only on the request of Borrower), in whole at any time or in part (in inverse order of maturity and by lot within a

maturity) on any Payment Date, at a redemption price of one hundred percent (100%) of the principal amount being redeemed plus accrued interest to the date of date, upon the exercise by the Borrower of its option to prepay the amounts payable under the Loan Agreement prior to the full payment of the Series 2016 Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) if any of the following events shall have occurred:

(a) The College shall have been damaged or destroyed (i) to such extent that it cannot be reasonably restored within a period of six (6) months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Borrower is thereby prevented, in the Borrower's judgment, from carrying on its normal operations at the College for a period of six (6) months or more, or (iii) to such extent that the cost of restoration thereof would exceed the Net Proceeds of the insurance required to be carried with respect to the College under the Loan Agreement;

(b) Title to, or the temporary use for a period of six (6) months or more of all or substantially all of the College, or such part thereof as shall materially interfere, in the Borrower's judgment, with the operation of the College for the purpose for which the College is designed, shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Borrower being thereby prevented from carrying on its normal operations at the College for a period of six (6) months or more); or

(c) As a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Borrower in good faith, the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Borrower in respect to the College, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement.

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Mandatory Redemption

The Series 2016 Bonds maturing on October 1, 2023, are subject to mandatory sinking fund redemption to satisfy the sinking fund installments required by the Indenture, such redemption to be by lot in such manner as the Trustee shall determine, on each October 1 in the years and amounts set forth in the following table, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, as follows:

<u>Year</u>	<u>Principal Amount</u>
2022	\$ 885,000
2023 (Maturity)	905,000

The Series 2016 Bonds maturing on October 1, 2034, are subject to mandatory sinking fund redemption to satisfy the sinking fund installments required by the Indenture, such redemption to be by lot in such manner as the Trustee shall determine, on each October 1 in the years and amounts set forth in the following table, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, as follows:

<u>Year</u>	<u>Principal Amount</u>
2032	\$ 1,220,000
2033	1,270,000
2034(Maturity)	1,320,000

The Series 2016 Bonds maturing on October 1, 2038, are subject to mandatory sinking fund redemption to satisfy the sinking fund installments required by the Indenture, such redemption to be by lot in such manner as the Trustee shall determine, on each October 1 in the years and amounts set forth in the following table, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, as follows:

<u>Year</u>	<u>Principal Amount</u>
2035	\$ 1,370,000
2036	1,415,000
2037	1,465,000
2038 (Maturity)	1,515,000

The principal amount of the Series 2016 Bonds to be retired pursuant to the sinking fund provisions may, at the option of the Borrower, be reduced by the principal amount of any such Series 2016 Bonds which at least forty-five (45) days prior to such redemption:

- (1) have been delivered to the Trustee for cancellation, or
- (2) have been purchased or redeemed (other than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption requirement.

Notice and Effect of Redemption

Any notice of call for redemption will be given at least thirty (30) days but not more than sixty (60) days before the redemption date by mailing a copy of the redemption notice to each Registered Owner of a Series 2016 Bond to be redeemed. In no case will the failure to give such notice by mailing, or any defect therein, affect the validity of any proceeding for the redemption of any Series 2016 Bond or portion thereof with respect to which no such failure has occurred.

No further interest shall accrue on the principal of any Series 2016 Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Trustee.

While the Series 2016 Bonds are being held by DTC under the book-entry system, notice of redemption will be sent only to DTC. See **BOOK-ENTRY ONLY SYSTEM** herein.

Additional Obligations

No Additional Obligations may be issued under the Indenture and no Additional Obligations may be issued with a security interest in the Pledged Revenues superior to the pledge of the Series 2016 Bonds. Nothing, however, shall prevent the issuance of Additional Obligations as Parity Debt under a separate indenture or as otherwise permitted in the Indenture or the Loan Agreement. See the caption "**SUMMARY OF PORTIONS OF THE INDENTURE – Additional Obligations**" herein. In addition, the Borrower may incur Short-Term Indebtedness payable on a parity as to the pledge of the Pledged Revenues securing the Series 2016 Bonds, if immediately after incurrence of such Short-Term Indebtedness the Outstanding principal amount of all Short-Term Indebtedness does not exceed ten percent (10%) of the budgeted Pledged Revenues as shown on the annual budget for the current Fiscal Year. The Borrower may also incur Subordinated Indebtedness without limit as to amount.

Transfer or Exchange

The Series 2016 Bonds may be transferred on the books of registration kept by the Trustee by the registered owner in person or by the registered owner's duly authorized attorney, upon surrender thereof, together with a written instrument of transfer duly executed by the registered owner or the registered owner's duly authorized attorney. Upon surrender for transfer of any Series 2016 Bond at the principal corporate office of the Trustee, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Series 2016 Bond or Series 2016 Bonds of the same series and in the same aggregate principal amount and of any authorized denomination or denominations.

Transfers of registration or exchanges of the Series 2016 Bonds shall be without charge to the holders of such Series 2016 Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Owner of the Series 2016 Bond requesting such transfer or exchange as a condition precedent to the exercise of such privilege.

The Issuer and the Trustee shall not be required to transfer or exchange any Series 2016 Bond or portion thereof that has been selected for redemption and also shall not be required to transfer or exchange any Series 2016 Bond or portion thereof during the period in which the Trustee is selecting Series 2016 Bonds for redemption or during the fifteen (15) days preceding any principal payment or redemption date.

So long as DTC or its nominee is the sole registered owner of the Series 2016 Bonds, transfers of beneficial interests in the Series 2016 Bonds shall be in accordance with the rules and procedures of DTC and its direct and indirect participants. See "BOOK-ENTRY ONLY SYSTEM."

Book-Entry Only System

The information in this caption concerning DTC and DTC's book-entry system has been obtained from DTC, and neither the Issuer, the Borrower nor the Underwriters take any responsibility for the accuracy thereof.

General. When the Series 2016 Bonds are issued, ownership interests will be available to purchasers only through a book-entry only system (the "Book-Entry Only System") maintained by The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2016 Bonds. Initially, the Series 2016 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 Series 2016 Bond certificate for each maturity of the Series 2016 Bonds will be issued, in the aggregate principal amount of such maturity, and will be deposited with DTC or the Trustee as its "FAST" agent. The following discussion will not apply to any Series 2016 Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry Only System, as described below.

DTC and its Participants. DTC, the world's largest depository, 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100

countries) that DTC's 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. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. 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 (the "Indirect Participants" and, collectively with the Direct Participants, the "Participants"). DTC has Standard & Poor's highest rating: AAA. 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.

Purchase of Ownership Interests. Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond (the "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. Beneficial Owners are, however, 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 Series 2016 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 interest in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Series 2016 Bonds, the Beneficial Owners of such Series 2016 Bonds will not receive or have the right to receive physical delivery of the Series 2016 Bonds, and references herein to the registered owners of such Series 2016 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of such Series 2016 Bonds.

Transfers. To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. So long as any Series 2016 Bond is registered in the name of DTC's nominee, all payments of principal of, premium, if any, and interest on such Series 2016 Bond 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 the City

or the Trustee, 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 Trustee or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2016 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture.

The use of the system of book-entry transfers through DTC (or a successor securities depository) may be discontinued as described in the Indenture. In that event, bond certificates will be printed and delivered as described in the Indenture.

None of the Underwriters, the Trustee nor the Issuer will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Series 2016 Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Owners of the Series 2016 Bonds; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2016 Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

The information above concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the Issuer, the Trustee or the Underwriters. The Issuer, the Trustee and the Underwriters make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.

Parity Debt.

The Borrower has covenanted to incur no indebtedness secured by the Pledged Revenues on a senior basis to the Series 2016 Bonds. An issuer may issue indebtedness ("Parity Debt") from time to time secured by the Pledged Revenues on a parity basis with the Series 2012 Bonds and the Series 2016 Bonds, provided that (a) there is no Default existing with respect to the Series 2016 Bonds and no event of default under the instruments securing the Prior Debt or any Outstanding Parity Debt, (b) the Pledged Revenues collected by Borrower in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Obligations are proposed to be issued were at least 140% of the Maximum Annual Debt Service on Outstanding Series 2016 Bonds and all Outstanding Parity Debt, plus the Additional Obligations proposed to be issued, or that Adjusted Pledged Revenues (being Pledged Revenues adjusted for student tuition, fees and dormitory rental increases adopted prior to issuance of such Additional Obligations) collected by Borrower in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Obligations are proposed to be issued would have been at least 140% of the Maximum Annual Debt Service on Outstanding Series 2016 Bonds and all Outstanding Parity Debt, plus the Additional Obligations proposed to be issued.

The Issuer may issue Parity Debt for the purpose of refunding any Series 2012 Bonds, or any Outstanding Additional Obligations if such obligation refunded the Series 2012 Bonds, or Additional Obligations, as the case may be, are defeased on the date of delivery of the refunding Parity Debt and if the annual Debt Service of the refunding Parity Debt does not exceed the annual Debt Service of the refunded Series 2012 Bonds in any Fiscal Year by more than \$5,000.

Subordinated Indebtedness. The Borrower may incur Subordinated Indebtedness without limit as to amount.

Short-Term Indebtedness. The Borrower may incur Short-Term Indebtedness, secured by and payable from the Pledged Net Revenues on a parity basis with the Series 2016 Bonds and any Parity Debt, if immediately after the incurrence of such Short-Term Indebtedness the outstanding principal amount of all Short-Term Indebtedness does not exceed 10% of budgeted Pledged Revenues as shown on the Issuer’s annual budget for the current Fiscal Year.

SOURCES AND USES OF FUNDS

The proceeds of the Series 2016 Bonds are expected to be used as follows:

<u>Sources of Funds</u>	
Par Amount of Bonds	\$ 22,330,000.00
Reoffering Premium	941,249.85
Transfers from Prior Issue Debt Service Funds	<u>312,811.72</u>
Total Sources	\$ 23,584,061.57
<u>Uses of Funds</u>	
Deposit to Series 2008 Bonds Escrow Deposit Fund	\$ 17,160,222.06
Deposit to Series 2012C Bond Fund	6,187,525.92
Costs of Issuance (including Underwriter’s discount)	232,169.40
Rounding Amount	<u>4,144.19</u>
Total Uses	\$ 23,584,061.57

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SECURITY FOR THE SERIES 2016 BONDS

The Series 2016 Bonds will be special and limited obligations of the Issuer and will be payable solely from certain amounts payable by the Borrower to the Issuer under the Loan Agreement and certain other available money specified in the Indenture (except to the extent paid out of money attributable to the proceeds derived from the sale of the Series 2016 Bonds and income from the investment thereof). Under the Indenture, the Issuer will pledge and assign all of its right, title and interest in and to the Loan Agreement and all revenues and receipts payable thereunder (other than certain indemnification rights and rights to receive certain fees and expenses by the Issuer) to the Trustee for the benefit of the Owners of the Series 2016 Bonds. The Series 2016 Bonds are not secured by a mortgage on or security interest in any real or tangible personal property.

The Series 2016 Bonds are issued on a parity of security and redemption with the Series 2012 Bonds.

The Series 2016 Bonds are not an obligation, general or special debt, liability or moral obligation of the Issuer, the State or any political subdivision thereof, and neither the faith and credit nor the taxing power of the Issuer, the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2016 Bonds. The Series 2016 Bonds are not a general obligation of the Issuer (which has no taxing power and receives no funds from any governmental body), but are limited and special revenue obligations of the Issuer payable solely from the revenues pledged therefor in the Indenture. No covenant, stipulation, obligation or agreement contained in the Indenture or in the Series 2016 Bonds shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future trustee, officer, agent or employee of the Issuer in his or her individual capacity. Neither the Issuer, the State nor any political subdivision thereof shall be liable for the performance of any agreement or covenant of any kind which may be undertaken by the Issuer, and no breach by the Issuer of any agreement or covenant shall create any obligation upon the State or any political subdivision thereof.

Pledged Revenues

The Borrower, pursuant to the Loan Agreement, has pledged all student net tuition revenue (Net Student Tuition Revenue is gross tuition and mandatory fees less institutional financial aid. Institutional financial aid includes scholarships, need-based institutional grants, and work-study wages paid by the Borrower as part of the Federal Work-Study Program), housing revenue, and board revenue received by the Borrower, to the repayment of the principal of, premium, if any, and interest on the Series 2016 Bonds and the payment of fees and expenses of the Trustee and the Paying Agent for the Series 2016 Bonds. Pursuant to the Loan Agreement, the Borrower is obligated to deliver to the Trustee, semiannually on or before April 1 and October 1, commencing April 1, 2017, Pledged Revenues in amounts sufficient to meet the Borrower's obligations under the Loan Agreement. The security interest in the Pledged Revenues may be subject to limitation or rights of other parties imposed by statute or court order and to the requirements that appropriate filing be made from time to time to maintain the protection of the security interest.

Rate Covenant

In the Loan Agreement, the Borrower agrees to fix, maintain and charge student tuition, fees and dormitory rentals for use of the College and for services provided by the College such that Pledged Revenues in each Fiscal Year will not be less than 125% of the Maximum Annual Debt Service on the Series 2012 Bonds, the Series 2016 Bonds and any Additional Obligations incurred in any Fiscal Year thereafter.

THE ISSUER

The powers of the Issuer are vested in the Board of Directors, consisting of the State Treasurer, the Director of the Department of Finance and Administration, and 11 public members appointed by the Governor with the advice and consent of the State Senate. The Act provides that the Issuer shall employ a President who shall serve at the pleasure of the Governor, shall be an ex-officio, nonvoting member of the Board, and may be elected Secretary to the Board.

Officers and Directors

The names, offices, principal occupations, and residences of the directors of the Authority and the dates of expiration of their terms are as follows:

<u>Name and Office</u>	<u>Term Expires (Jan. 14)</u>	<u>Principal Occupation and Residence</u>
Richard Burnett, M.D., Chair	2018	Physician, Gassville, AR
John Cooley, Vice Chair	2019	Executive Vice President & Chief Financial Officer for Propak Logistics, Inc., Fort Smith, AR
Larry Walther	(ex-officio, member)	Director, Arkansas Department Finance and Administration, Little Rock, AR
Dennis Milligan	(ex-officio, member)	State Treasurer, Little Rock, AR
Sarah E. Capp	2020	Owner of Capp Law Firm, Ozark, AR
Stephen G. Rose	2020	Proprietor, Roseland Farms, Blytheville, AR
Charley Baxter	2017	Director, Patrick Henry Hays Senior Citizens Center, North Little Rock, AR
Stan Green	2019	President of Clear Energy, Inc. and Lindsey-Green Commercial Properties, Fayetteville, AR
Thomas W. Spillyards	2017	(Retired) former President and CEO of Simmons First Bank of Northwest Arkansas, Rogers
Anthony Brooks	2017	President, Platinum Drywall, Inc., Little Rock
Seth N. Mims	2020	President and Partner – Specialized Real Estate Group of Fayetteville, AR
Gregory Stanfill	2017	Executive Vice President & Director of Community Banks for Arvest Bank
Denise Sweat	2018	Vice President for Farm Credit Services of Western Arkansas, Nashville, AR

The staff of the Authority presently consists of approximately 52 full-time employees. Aaron Burkes is President of the Authority, Ben VanKleef is Vice President of Housing, Cheryl Schluterman is Vice President for Finance and Administration, Brad Henry is Vice President for Development Finance, Layne Anderson is Vice President and General Counsel, Patrick Patton is Vice President for Internal Audit, and Robert “Ro” Arrington is Public Finance Officer.

The office of the Authority is located at 900 West Capitol Avenue, Suite 310, Little Rock, Arkansas. Its telephone number is (501) 682-5900, and its mailing address is P.O. Box 8023, Little Rock, Arkansas 72201.

THE REFUNDINGS

The proceeds of the Series 2016 Bonds will be used to advance refund the Series 2008 Bonds and to currently refund the Series 2012C Bonds.

THE BORROWER AND THE COLLEGE

General

The Borrower is an Arkansas nonprofit corporation incorporated on June 17, 1903, which owns and operates the College. The College, which was founded in 1876, awards two degrees, the Bachelor of Arts and a Master of Arts (in accounting). Majors are offered in over two dozen disciplinary fields and opportunities for computer studies and integrative courses of study are available within the prescribed program. The College is accredited by the North Central Association of Colleges and Secondary Schools, the University Senate of the United Methodist Church, the National Association of Schools of Music, the National Council for Accreditation of Teacher Education and the American Chemical Society.

Location and Facilities

The College is located in Conway, Arkansas, a city situated approximately 30 miles northwest of Little Rock, Arkansas and 165 miles west of Memphis, Tennessee. Conway had a population of 58,900 persons according to the 2010 census. Conway is the seat of government of Faulkner County, Arkansas. Conway is reached by Interstate Highway 40 from the east and west, U.S. Highway 65 from the north and south and by U.S. Highway 64 and State Highway 286 from the east and west. The nearest major airport is in Little Rock, but the city is served by commercial bus lines and has a small airport.

The College's campus occupies approximately 140 acres north of the downtown area of Conway, Arkansas, and includes 32 buildings. Approximately 50 acres of the campus are developed and the remaining 90 acres are devoted to pine forests, trails and athletic fields. Existing buildings are constructed in collegiate Gothic architecture and new structures are designed to be in harmony architecturally with older buildings. All of the College's buildings have been either constructed or renovated since 1961.

The Bailey Library houses the College's print and electronic collections, the Hendrix College Archives, the United Methodist Archives, a student computer lab, the Snoddy Academic Resource Center and the Media Center, a writing lab, 24-hour study rooms, and electronic bibliographic instructional lab, and a media classroom. The Library exists to serve the intellectual needs of the College's academic programs and to contribute to high standards of educational excellence. The Library boasts an outstanding small academic collection with 220,000 bound volumes, 30,000 government documents, over 35,000 electronic journal titles, and an extensive collection of music and film.

Within the last ten years the College has completed a number of major construction projects. The 100,000 square foot Wellness and Athletics Center is an impressive addition to our sports facilities (2007). A distinctive new Student Life and Technology Center including new dining facilities was completed in 2009. Residence facilities added between 2008 and 2013 increased the housing capacity of the College by more than 250 beds. Recent additions in 2013 include the Young Wise Memorial Stadium, the Sturgis Center athletic facility and an indoor tennis facility.

The Village at Hendrix

The Village at Hendrix is a new urbanist community master-planned by Andres Duany, FAIA. Duany, along with Elizabeth Plater-Zyberk, designed America's first new urbanist town, Seaside, Florida, in the mid-1980s. New urbanism is also known as traditional neighborhood design, or TND. Across America, the more than 500 TNDs founded since the early 1990's are not only thriving, they also point the way from suburban sprawl toward more a more sustainable kind of development. In essence, new urbanism represents a return to the time-tested development principles usually found in America's most delightful older towns and neighborhoods: walkable tree-lined residential streets, nearby mixed-use town centers, pleasant gathering places such as greens or squares, and well cared-for natural areas -- all within an five-minute (one-quarter mile) walk. TND's are also known for sustainable buildings, fine architecture, fine materials, and excellent craftsmanship. The goal of the Village at Hendrix is to provide the Hendrix College faculty, staff and student body, as well as the citizens of Conway, with a rewarding place to live, learn, work, and play -- a place to celebrate and enjoy a true sense of community.

Governing Body

The Borrower is governed by the Board of Trustees currently composed of 42 members. The voting members are appointed for six-year, staggered terms, with each year commencing on July 1 and ending on June 30.

The current members of the Board of Trustees, the years in which their terms expire, and their principal occupations are as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>
David Knight, Chair*	2017	Chief Legal Counsel, Stephens Inc. Little Rock, Arkansas
Rev. Ellen Alston**	2017	District Superintendent, United Methodist Church Monroe, Louisiana
Wendy R. Anderson	2022	Partner & Managing Director, Strong Eagle Media Washington, DC
Dr. Joseph H. Bates	2017	Deputy Director, Arkansas Department of Health Little Rock, AR
Ruth Bernabe	2021	Teacher Memphis, Tennessee
Jo Ann Biggs	2019	Attorney/Partner, Vinson & Elkins LLP Dallas, Texas
Albert Braunfisch	2018	CEO, MailSouth, Inc. Little Rock, Arkansas
Theodore Bunting, Jr.	2018	Group President, Utility Operations Entergy Services, Inc. New Orleans, Louisiana
Dr. Charles M. Chappell	2017	Retired, Hendrix College Little Rock, Arkansas
R. Paul Craig, Jr.	2018	Retired, Pentadyne Corporation Chandler, Arizona
Reverend Pamela J. Estes	2019	Pastor, First United Methodist Church Magnolia, Arkansas
Reverend David Fleming	2019	Pastor, Grand Avenue United Methodist Church Hot Springs, Arkansas
Dr. Hayden Franks	2019	Dermatology Group of Arkansas Little Rock, Arkansas
Joe R. Goyne III	2020	President, Pegasus Bank Dallas, Texas
Kenneth Gunderman	2021	President and CEO, Communications Sales and Leasing, Inc. Little Rock, Arkansas
Dr. Joe G. Hollyfield	2017	Ophthalmologist, Ophthalmic Research Cleveland Clinic Cleveland, Ohio
Jan Hundley	2019	COO, Arkansas Otolaryngology Little Rock, Arkansas

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>
Roger King	2019	Retired Investor Larchmont, New York
Reverend Mark McDonald	2019	Pastor, Grace United Methodist Church Conway, Arkansas
Allen D. McGee	2019	Retired, Radiology Corporation of America Delray Beach, Florida
Carolyn Miller	2020	Volunteer Dallas, Texas
Charles D. Morgan, Jr.	2017	CEO, Privacy Star Little Rock, Arkansas
Bishop Gary Mueller		United Methodist Conference Little Rock, Arkansas
R. Madison Murphy	2019	President, Murphy Foundation El Dorado, Arkansas
Henry E. Neely	2022	Tax Services, Ernest and Young LLP Dallas, Texas
Rev. Victor Nixon	2019	Retired, United Methodist Church Little Rock, Arkansas
Dr. Paula Norwood	2020	Retired Longboat Key, Florida
Reverend James Polk		Assistant to the Bishop, Arkansas Conference of the United Methodist Church Little Rock, Arkansas
Walter Owen Pryor	2018	VP of Government Affairs, Cennate Corp Rolling Meadows, Illinois
Martin M. Rhodes*	2018	President, Stephens Insurance Services, Inc. Little Rock, Arkansas
Reverend Deidre Jo Roberts	2018	Director of Center of Excellence, United Methodist Conference Little Rock, Arkansas
Martin W. Shell	2020	Office of Development, Stanford University Palo Alto, California
Elizabeth S. Small	2022	President, CEO, PDC Companies, Little Rock, Arkansas
Reverend Roy P. Smith	2017	Pastor, First United Methodist Church Russellville, Arkansas
Reverend William B. Smith	2021	Retired, United Methodist Church Dallas, Texas
T.J. Ticey	2021	Executive Director, African American Family Services Minneapolis, Minnesota
Dr. William M. Tsutsui		President and Professor of History, Hendrix College Conway, Arkansas

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>
H. Randolph Wilbourn, III, Vice Chair	2018	Vice Chair, Martin-Wilbourn Partners LLC Little Rock, Arkansas
William H. Wilcox	2017	CEO, United Surgical Partners, International Dallas, Texas
Darrin L. Williams	2021	CEO, Southern Bancorp, Inc. Little Rock, Arkansas
Judge B. R. Wilson	2019	Eastern Federal District Court of Arkansas Little Rock, Arkansas
Larry Wilson	2018	CEO/President/Chairman First Arkansas Bank & Trust Jacksonville, Arkansas

*Board member is employed at Stephens Inc., one of the Underwriters.

**Board member is family member of a partner at Wright, Lindsey & Jennings LLP, Bond Counsel.

Conflict of Interest Policy for Trustees

A trustee shall be considered to have a conflict of interest if:

(a) Such trustee has existing or potential financial or other interest which impair or might reasonably appear to impair such member's independent unbiased judgment in the discharge of his or her responsibilities to the institution; or

(b) Such trustee is aware that a member of his or her family (which for purposes of this paragraph shall be a spouse, parent, sibling, child, or any other relative who resides in the same household as the trustee), or any organization in which such trustee (or member of his or her family) is an officer, director, employee, member, partner, trustee, or controlling stockholder, has such existing or potential financial or other interest.

All trustees shall disclose to the Board, or Board Committee in which a potential conflict arises, any possible conflict of interest at the earliest practical time. No trustee shall vote or be present during a vote on any matter under consideration at a Board or Committee meeting in which such trustee has a conflict of interest. He or she should not participate in the discussion of any such matter unless requested to do so by the Board or Committee for special reasons. The minutes of such meeting shall reflect that a disclosure was made and that the trustee having a conflict of interest abstained from participating in consideration of the matter. Any trustee who is uncertain whether a conflict of interest may exist in any matter may request the Board or Committee to resolve the question by majority vote.

Administration

Set forth below are the names, titles and selected biographical data on the principal members of the administrative staff of the College.

William M. (Bill) Tsutsui, *President*

William M. (Bill) Tsutsui is president and professor of history at Hendrix College, a top-tier national liberal arts college founded in 1876 and located in Conway, Arkansas. He previously served as dean of Dedman College of Humanities and Sciences at Southern Methodist University from 2010 to 2014. He holds degrees from Harvard, Oxford, and Princeton universities. Prior to joining SMU, Tsutsui spent seventeen years at the University of Kansas, where he served as Acting Director of KU's Center for East Asian Studies, Chair of the Department of History, founding Executive Director of the Confucius Institute at the University of Kansas, and Associate Dean for International Studies in the College of Liberal Arts & Sciences.

An award-winning classroom teacher, Tsutsui is the author or editor of eight books, including *Manufacturing Ideology: Scientific Management in Twentieth-Century Japan*, *Godzilla on My Mind: Fifty Years of the King of Monsters*, and *Japanese Popular Culture and Globalization*, as well as numerous articles on modern Japanese history. He has received Fulbright, ACLS, and Marshall fellowships, and was awarded the John Whitney Hall Prize of the Association for Asian Studies in 2000, the William Rockhill Nelson Prize for Non-Fiction in 2005, and the inaugural Bridges to Friendship Award of the Japan America Society of Greater Austin in 2015. His teaching and research focus on the business, environmental, and cultural history of twentieth-century Japan.

W. Ellis Arnold III, *Senior Executive Vice President, General Counsel, and Dean of Advancement*

As Senior Executive Vice President and Dean of Advancement, Mr. Arnold is responsible for the College's fundraising and alumni and constituent engagement efforts, along with management of strategic growth activities. As General Counsel, he serves as the chief legal officer of the College, providing advice and counsel of a legal nature to the College's Board of Trustees, officers, faculty and staff on institutional and policy matters concerning or affecting the College and its interests. He is Secretary to the Hendrix College Board of Trustees and is CEO of The Village at Hendrix, LLC.

A 1979 graduate of Hendrix, Mr. Arnold earned a juris doctorate from the UALR School of Law, where he was a member of the Law Review, in 1982. He was in private practice in Little Rock for eight years. Mr. Arnold served as Vice President of Development and General Counsel of Hendrix from 1990 to 1996, when he left to become President of Lambuth University, a United Methodist-related liberal arts college in Jackson, Tennessee, (now University of Memphis – Lambuth) until 2004. He became President of Pulaski Academy in Little Rock in 2004, a position he held until returning to Hendrix in August 2008.

Terri L. Bonebright, *Executive Vice President for Academic Affairs and Provost*

As the College's chief academic officer, Dr. Bonebright is the leader of the Hendrix faculty and Office of Academic Affairs.

Bonebright came to Hendrix from DePauw University in Greencastle, Ind., where she was Dean of Faculty and Professor of Psychology. She joined the DePauw faculty in 1995 and has been recognized for teaching and mentoring. She received the 2000-2001 Exemplary Teaching Award and was selected as outstanding faculty volunteer and as an outstanding faculty member by the student body in 1996.

An alumna of the University of Nebraska-Lincoln, Bonebright earned her bachelor's degree in psychology and German in 1990, her master's degree in psychology in 1992 and her doctorate in psychology and quantitative methods in 1996. Her scholarship includes research in the areas of sonification of graphs, the perception of everyday sounds and the effectiveness of technology in teaching. She has more than 40 refereed publications and has given more than 50 conference presentations, frequently with student collaborators.

Karen R. Foust, *Executive Vice President for Enrollment*

As Executive Vice President for Enrollment, Ms. Foust serves as the chief enrollment officer and provides strategic vision and leadership in the areas of enrollment planning, student recruitment, admission, and financial aid. She came to Hendrix in 2003 from Valparaiso University in Indiana where she had served as Director of Admission since 1989. Other positions she held at Valparaiso included director of administrative services, associate development director, and coordinator of the alumni recruitment program. She serves as a scholarship reader for the Scholarship and Recognition Programs in Princeton, New Jersey, and previously as a reader for the National Merit Scholarship Corporation Selection Committee. In addition, Ms. Foust has been an enrollment management consultant and held leadership positions in the National Association of College Admission Counseling, the College Board Southwestern Regional Council, and the Indiana Association of College Admission Counseling. She received a B.S. degree in financial management from Purdue University.

Tom J. Siebenmorgen, *Executive Vice President and Chief Financial Officer (CFO)*

As Chief Financial Officer, Mr. Siebenmorgen provides leadership in the business and financial areas. His areas of oversight include the physical plant of the College, special building projects, real estate and investment activities, budgeting, financial reporting, and financial planning. He reports directly to the President of the College and works closely with the Finance, Audit and Investment Committees of the Board of Trustees. A native of Conway, Siebenmorgen is a 1976 graduate of Hendrix where he earned a bachelor of arts degree in Economics and Business. He was awarded the Mosley Economics Prize, was a member of the swim team and played water polo while at Hendrix. Siebenmorgen earned a master's in business administration with an emphasis in finance and accounting from Tulane University in 1978. Siebenmorgen comes to Hendrix from Leisure Arts, Inc., in Little Rock, where he spent nearly 30 years in leadership roles including Chief Financial Officer and Chief Operating Officer of the company. He spent three years on the audit staff at Ernst & Whinney in Little Rock before joining the Leisure Arts team in 1981.

Academic Programs

The College offers the following majors:

BACHELOR OF ARTS:

Accounting
Art
Biochemistry/Molecular Biology
Biology
Chemical Physics
Chemistry
Classics
Computer Science
Economics
Economics and Business
English – Literary Studies
English – Film Studies
English – Creative Writing
Environmental Studies
French
German
Health Science
History
Interdisciplinary Studies
International Relations
Mathematics
Music
Neuroscience
Philosophy
Philosophy and Religious Studies
Physics
Politics
Psychology
Religious Studies
Sociology/Anthropology
Anthropology Emphasis
Sociology Emphasis
Spanish
Theatre Arts

The academic program of Hendrix College comprises diverse elements in a coherent whole, combining design with flexibility. The general education requirements at the College consist of three components – The Collegiate Center, Learning Domains, and Capacities. The Collegiate Center assures students the opportunity to engage in thought about cultures and contemporary issues. The Learning Domains afford multiple options for acquiring a basic understanding of the content, disciplinary styles, and modes of inquiries of the humanities, the natural sciences, and the social sciences in ways that may cross traditional disciplinary boundaries. The Capacities requirement recognizes that all students must exhibit basic proficiencies in fundamental skills used across multiple disciplines. Majors are offered in almost thirty disciplinary fields and include opportunities for interdisciplinary studies. Minors in more than thirty areas complement the majors and allow students opportunities to pursue additional academic interests. The College's curricular structures are intended to guide students in a coherent process of learning while encouraging all students to exercise responsibility in constructing individual programs of study.

Starting with the 2005-2006 academic year, new students began participating in a distinctive program entitled *Your Hendrix Odyssey: Engaging in Active Learning*. This program expands and formalizes currently available options for undergraduate research, study abroad, artistic development, internships, service experiences, and other hands-on activities. Through the Hendrix Odyssey every Hendrix student will develop a personalized program of at least three active learning experiences from the following categories:

- Artistic Creativity
- Global Awareness
- Professional and Leadership Development
- Service to the World
- Undergraduate Research
- Special Projects

The College offers the following academic minors:

Accounting
Africana Studies
Anthropology
Applied Mathematics
Art – Studio
Art – Art History
Asian Studies
Biology
Business
Chemistry
Chinese
Classics
Computer Science
Dance
Economics
Education
English
Film Studies
French
Gender Studies
German
History
International Business
International Relations
Mathematics
Music

Neuroscience
Philosophy
Physics
Politics
Psychology
Religious Studies
Sociology
Spanish
Theatre Arts

The College also offers a Masters of Arts in Accounting.

Employees

As of May, 2016, the College employed 423 full-time equivalent employees and approximately 480 student workers. A breakdown of the non-student full-time equivalent employees, by area of service, is as follows:

<u>Area of Service</u>	<u>Number of Full-Time Equivalents</u>
Administration	127
Faculty	125
Support Staff	171

SUMMARY OF ENROLLMENTS

Although approximately 47% of the students enrolled at Hendrix College in the 2015-16 academic year are Arkansas residents, the College's enrollment includes a broad geographical representation with students from 36 states and 27 foreign countries. Approximately 6% of the enrolled students are from Faulkner County.

The average high school grade point for the 2015-16 incoming freshman class was 3.2, the ACT Composite Mean was 28, and the SAT (combined verbal and math) was 1210.

Students attend the College for yearly terms which are currently divided into two semesters. Semesters generally commence during the months of August and January. Set forth below is historical data for the College regarding enrollment.

<u>Fiscal Year</u>	<u>Enrollment⁽¹⁾</u>
2015-2016	1,333
2014-2015	1,353
2013-2014	1,428
2012-2013	1,376
2011-2012	1,418
2010-2011	1,461
2009-2010	1,455
2008-2009	1,342
2007-2008	1,187
2006-2007	1,089
2005-2006	1,017
2004-2005	1,035
2003-2004	1,047
2002-2003	1,087
2001-2002	1,077
2000-2001	1,130
1999-2000	1,151
1998-1999	1,053

⁽¹⁾ On a full-time equivalent basis as of the Fall semester census date.

Student Financial Aid

Fully 100% of the College's 2015-2016 student body received assistance from federal, state, college or private sources. The majority of students eligible for financial aid receive an "aid package" consisting of grants, loans and work assistance which supplements each family's contribution to the student's total educational expenses. A student's financial need and a particular program's funding level are reviewed in conjunction with the student's academic and personal records as the basis for determining the combination of aid forms offered.

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The following table presents the sources of student financial aid for the Fiscal Years indicated:

<u>Student Financial Aid</u>					
	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>
Guaranteed Student Loan Program ⁽¹⁾	\$ 4,283,869	\$ 4,253,170	\$ 4,301,625	\$ 4,183,040	\$ 4,530,985
Federal & State Programs	4,290,256	4,145,196	4,433,357	4,749,637	4,677,845
Grants and Scholarships provided by the College	35,750,680	33,873,242	34,753,939	31,112,202	28,711,022
Work Study	<u>681,276</u>	<u>690,508</u>	<u>698,857</u>	<u>615,169</u>	<u>629,883</u>
Totals	\$ 45,006,081	\$ 42,962,116	\$ 44,187,778	\$ 40,660,048	\$ 38,549,735

⁽¹⁾Excludes Federal PLUS Loans

Endowment

Set forth below is information concerning the endowment funds of the Borrower. The Bonds are not secured by any security interest in the Borrower's endowment funds or the interest earnings thereon.

<u>Date</u>	<u>Market Value</u>	<u>Percent Increase or (Decrease) Over Previous Year</u>
7/31/99	\$ 125,821,064	
7/31/00	138,350,062	10.0%
7/31/01	133,161,544	(3.8%)
7/31/02	112,312,059	(15.7%)
7/31/03	116,308,395	3.6%
7/31/04	131,973,714	13.5%
7/31/05	151,298,524	14.6%
7/31/06	163,504,559	8.1%
5/31/07	192,239,637	17.6%
5/31/08	186,937,458	(2.8%)
5/31/09	136,201,351	(27.1%)
5/31/10	148,544,596	9.1%
5/31/11	174,057,951	17.2%
5/31/12	155,638,515	(10.6%)
5/31/2013	172,286,337	10.7%
5/31/2014	179,657,919	4.3%
5/31/2015	185,541,398	3.3%
5/31/2016	186,161,026	0.3%

Financial Statements

The Borrower maintains its financial records on the basis of a fiscal year ending May 31. Set forth in Appendix C to this Official Statement are the consolidated financial statements of the Borrower for the fiscal years ended May 31, 2015 and May 31, 2014, which have been audited by BKD LLP, independent auditors, as stated in their report appearing herein. The notes set forth in Appendix C are an integral part of the financial statements and the statements and notes should be read in their entirety. The Borrower did not request BKD, LLP perform any updating procedures subsequent to the date of its audit report on the May 31, 2015 and 2014 financial statements.

SUMMARY OF PLEDGED REVENUES

The Pledged Revenues which secure the repayment of the Series 2016 Bonds consist of net student tuition, fees, dormitory rentals and board charges received by the Borrower. The College operates on a fiscal year commencing June 1 and ending May 31 of the following year. Prior to May 31, 2007, the College operated on a fiscal year ending July 31. Set forth below is historical data for the College regarding Pledged Revenues.

<u>Fiscal Year</u>	<u>Net Tuition Revenues/Fees⁽¹⁾</u>	<u>Housing Revenues</u>	<u>Board Revenues</u>	<u>Total Pledged Revenues</u>
2015-2016 ⁽²⁾	\$ 16,054,681	\$ 6,477,457	\$ 5,482,387	\$ 28,014,525
2014-2015	16,167,544	6,031,424	5,128,670	27,327,638
2013-2014	16,565,998	5,785,780	5,432,323	27,784,101
2012-2013	16,403,490	5,296,525	4,943,525	26,643,540
2011-2012	16,991,976	4,872,208	4,488,801	26,352,992
2010-2011	16,496,135	4,730,397	4,426,739	25,653,271
2009-2010	15,883,521	4,447,134	4,229,801	24,560,457
2008-2009	14,191,435	3,630,320	3,885,856	21,707,611
2007-2008	11,909,333	3,365,925	3,373,423	18,648,681
2006-2007	10,031,468	2,801,217	2,820,508	15,653,194

⁽¹⁾ Net tuition revenue is gross tuition and mandatory fees less institutional financial aid. (Institutional financial aid includes scholarships, need-based institutional grants, and work-study wages paid by the Borrower as part of the Federal Work-study program).

⁽²⁾ The numbers for 2015-2016 are estimated year end totals.

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The following table lists tuition charges, average dormitory rental rates and board charges for students at the College for the years indicated:

<u>Fiscal Year</u>	<u>Student Tuition*</u>	<u>Dormitory Rentals*</u>	<u>Board Charges*</u>	<u>Total</u>
2016-2017	\$ 42,440	\$ 5,962	\$ 5,618	\$ 54,020
2015-2016	40,870	5,790	5,454	52,114
2014-2015	39,290	5,618	5,294	50,202
2013-2014	37,816	5,480	5,140	48,436
2012-2013	35,900	5,268	5,140	46,308
2011-2012	34,230	4,968	4,746	43,944
2010-2011	32,040	4,646	4,440	41,126
2009-2010	30,270	4,400	4,264	38,934
2008-2009	26,080	3,850	4,100	34,030
2007-2008	24,498	3,350	3,850	31,698
2006-2007	22,916	3,008	3,730	29,654
2005-2006	21,636	2,760	3,550	27,946
2004-2005	16,710	2,530	3,450	22,690
2003-2004	15,630	2,354	2,986	20,970
2002-2003	14,900	2,220	2,870	19,990
2001-2002	13,711	1,992	2,760	18,463
2000-2001	12,665	1,930	2,695	17,290
1999-2000	11,580	1,800	2,615	15,995
1998-1999	10,835	1,650	2,510	14,995

*Per year, includes all mandatory fees. Dormitory fees are for a two-person room in one of the six traditional residence halls. Board charges are for full meal plans.

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DEBT SERVICE REQUIREMENTS

The following table sets forth the estimated amounts required to pay scheduled principal, mandatory sinking fund payments and interest on the Series 2012A Bonds, the Series 2012B Bonds, and the Series 2016 Bonds during the Fiscal Years indicated:

FYE 5-31	Series 2012A	Series 2012B	Series 2016	Total Combined Debt Service
2017	\$ 877,431	\$ 1,690,051	\$ 422,532	\$ 2,990,014
2018	879,481	1,688,401	1,234,191	3,802,073
2019	877,881	1,689,876	1,233,791	3,801,548
2020	877,481	1,694,301	1,233,191	3,804,973
2021	881,406	1,688,426	1,234,591	3,804,423
2022	878,737	1,691,776	1,237,791	3,808,304
2023	880,394	1,689,020	1,535,391	4,104,805
2024	876,806	1,695,264	1,537,491	4,109,561
2025	876,538	1,695,386	1,539,741	4,111,665
2026	879,366	1,689,526	1,535,721	4,104,613
2027	880,138	1,687,370	1,539,320	4,106,828
2028		2,570,970	1,536,304	4,107,274
2029		2,570,070	1,536,495	4,106,565
2030		2,568,820	1,539,545	4,108,365
2031		2,571,233	1,535,383	4,106,616
2032		2,570,395	1,538,970	4,109,365
2033		2,571,095	1,538,245	4,109,340
2034		2,567,330	1,538,445	4,105,775
2035		2,569,863	1,536,645	4,106,508
2036		2,569,320	1,537,640	4,106,960
2037		2,570,600	1,536,688	4,107,288
2038		2,568,600	1,539,168	4,107,768
2039		2,567,155	1,539,998	4,107,153
2040		2,570,910		2,570,910
2041		2,570,675		2,570,675
2042		2,571,345		2,571,345
2043		2,567,815		2,567,815
Total	\$ 9,665,659	\$ 59,715,593	\$32,737,277	\$102,118,529

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ESTIMATED DEBT SERVICE COVERAGE

Set forth below is estimated debt coverage information on the Series 2012A Bonds, Series 2012B Bonds and the Series 2016 Bonds based on Pledged Revenues for audited Fiscal Year ending May 31, 2015.

Total Pledged Revenues ⁽¹⁾	\$ 27,327,638
Maximum Annual Debt Service on the Series 2016 Bonds and the Parity Bonds	\$ 4,111,665
Coverage	6.65

⁽¹⁾ Net of grants and scholarships provided by the College.

SUMMARY OF PORTIONS OF THE LOAN AGREEMENT

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Loan Agreement and Security Agreement dated as of September 1, 2016, between the Issuer and the Borrower (the "Loan Agreement").

Issuance of the Series 2016 Bonds

Pursuant to the Loan Agreement, the Issuer agrees to issue the Series 2016 Bonds to provide funds to finance the refunding of the Bonds Refunded, deposit the proceeds therefrom with the Trustee. From the proceeds of the Series 2016 Bonds, an amount equal to the accrued interest, if any, to be paid for the Series 2016 Bonds shall be deposited in the Series 2016 Bond Fund, an amount not exceeding 2% of the face amount of the Series 2016 Bonds shall be deposited in the Series 2016 Issuance Cost Fund, an amount necessary to defease the Series 2008A Bonds, the Series 2008B Bonds and the Series 2012C Bonds will be deposited into the applicable escrow funds or bond fund.

Investment of Moneys

Moneys held for the credit of any fund or account created in the Indenture shall, to the extent practicable, be invested and reinvested in Permitted Investments which shall mature not later than the date or dates on which the money held for credit of the particular fund shall be required for the purposes intended. The Trustee shall so invest and reinvest pursuant to instructions from the Borrower. The Trustee shall determine the fair market value of the investments in each fund or account at least annually.

The Trustee may make any and all such investments through its own investment department or the investment department of any bank or trust company under common control with the Trustee. The Issuer shall have no responsibility for control of or directing such investments and shall not be held accountable for any losses resulting from any such investments. All such investments shall at all times be a part of the fund (the Series 2016 Bond Fund, or such other fund, as the case may be) from which the moneys used to acquire such investments shall have come, and all losses on such investments shall be charged against such fund. All income and profits on such investments shall be credited to the Earnings Fund.

Term of Loan Agreement and Installment Loan Payments

The Term of the Loan Agreement will commence as of September 1, 2016 and, unless sooner terminated as provided in the Loan Agreement, shall expire on August 31, 2038, or on the date that all of the Series 2016 Bonds and all fees and charges of the Issuer, the Trustee and any Paying Agents have been fully paid or provision made for such payment, whichever is later; provided, however, that the Loan Agreement may be terminated prior to such date if the Borrower exercises its option to prepay the amounts payable under the Loan Agreement pursuant to the terms thereof (see the caption "**SUMMARY OF PORTIONS OF THE LOAN AGREEMENT - Options; Prepayment of the Loan**").

The Borrower has agreed to pay to the Issuer during the Term of the Loan Agreement on or before the fifteenth (15th) day of March and September, commencing March 15, 2017, a sum equal to the next installment of interest on the Series 2016 Bonds plus one-half (1/2) of the next installment of principal of the Series 2016 Bonds, and on or before one (1) Business Day prior to any interest payment date for the Series 2016 Bonds, such being April 1 and October 1 of each year, or any other date fixed for the redemption of any or all of the Series 2016 Bonds pursuant to the Indenture, a sum which, together with other moneys available therefor in the Series 2016 Bond Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon redemption or acceleration or otherwise) and interest on the Series 2016 Bonds as provided in the Indenture.

In addition, during the Term of the Loan Agreement, the Borrower shall pay the reasonable fees and expenses of the Trustee, the Issuer, and any Paying Agent.

The obligation of the Borrower to make payments is absolute and unconditional, and in the event the Borrower should fail to make any payments, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the Late Payment Rate. See **APPENDIX "A" – Definition of Certain Terms**.

Taxes and Governmental and Utility Charges

The Borrower agrees to pay or cause to be paid during the Term of the Loan Agreement all taxes and governmental charges of any kind lawfully assessed or levied upon the College or any part thereof including any taxes levied against the College which, if not paid, will become a charge on the receipts, from the College prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Indenture, or a lien against the Pledged Revenues or any interest therein prior to or on a parity with the lien of the Loan Agreement; all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the College; and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the real property owned by the Borrower and occupied by the College, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as are required to be paid during the Term of the Loan Agreement.

The Borrower may, at the Borrower's expense and in the Borrower's name or in the name of the Issuer, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless by such nonpayment the security afforded pursuant to the Loan Agreement will be materially endangered or the College or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid forthwith.

Maintenance and Modification of College

The Borrower agrees that at all times during the Term of the Loan Agreement it will, at its own expense, maintain, preserve and keep the College, or cause the College to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and that the Borrower will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals deemed proper and necessary by it.

In addition, the Borrower shall have the privilege of remodeling the College or making substitutions, additions, modifications and improvements to the College from time to time as the Borrower, in its sole discretion, may deem to be desirable for its use for such purposes as are permitted by the Act, the costs of which remodeling, substitutions, additions, modifications and improvements shall be paid by the Borrower; provided, however, that such remodeling, substitutions, modifications and improvements shall not interfere with the operation of the College or in any way damage the College, and provided that the College, as remodeled, improved or altered, upon completion of such remodeling, substitutions, modifications and improvements shall be of a value not less than the value of the College immediately prior to the remodeling or the making of substitutions, modifications and improvements. The Borrower

will not permit any mechanic's or other lien to be established or remain against the College for labor or materials furnished in connection with any remodeling, substitutions, additions, modifications, improvements, repairs, renewals or replacements, provided that the Borrower may in good faith contest any such lien and not pay the same unless by such nonpayment the lien of the Loan Agreement as to the Pledged Revenues and the Indenture as to the payments will be materially endangered or the College or any part thereof will be subject to loss or forfeiture, in which event the Borrower shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Insurance

The Borrower agrees to insure or cause to be insured the College against loss or damage of the kinds usually insured against by companies similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the State, with uniform standard coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at that time in use in the State, in amounts that are not less than the full insurable value (as that term is defined in the Loan Agreement) of the College, and with such deductible provisions as are customarily included by companies similarly situated, or at the option of the Borrower any lesser amount which is equal to or greater than the amount of all the Series 2016 Bonds then Outstanding. Alternatively, the Borrower may insure such property under a blanket insurance policy or policies which cover not only such property but other properties.

Notwithstanding the foregoing paragraph, if the Borrower shall insure similar properties by self-insurance, the Borrower, at its election, may insure the College partially or wholly by means of an adequate self-insurance fund set aside and maintained out of its earnings, or in conjunction with other companies through an insurance trust or other arrangements.

The Borrower also agrees to carry public liability insurance with respect to the College with one or more reputable insurance companies in minimum amounts of \$500,000 for the death or personal injury to one person and \$1,000,000 for personal injury or death for each occurrence in connection with the College and \$500,000 for property damage for any occurrence in connection with the College.

Damage, Destruction and Condemnation

Unless the Borrower shall have exercised its option to prepay the amounts payable under the Loan Agreement pursuant to certain provisions of the Loan Agreement (see the caption "**SUMMARY OF PORTIONS OF THE LOAN AGREEMENT - Options; Prepayment of the Loan**"), if the College or any portion thereof is destroyed in whole or in part or is damaged by fire or other casualty, or title to or any interest in, or the temporary use of, the College or any portion thereof shall be taken under the exercise of the power of eminent domain, the Borrower shall be obligated to continue to pay the amounts specified in the Loan Agreement.

The Issuer, the Trustee and the Borrower will cause the net proceeds of any insurance proceeds or any condemnation award resulting from any of the foregoing events to be deposited in a separate trust fund, provided that net proceeds in an amount less than \$100,000 shall be paid directly to the Borrower. All net proceeds shall be applied in one or more of the following ways as directed by the Borrower:

- (1) To the prompt repair, restoration, modification or improvement of the College by the Borrower; or
- (2) To the redemption of the Series 2016 Bonds, provided that no part of the net proceeds may be applied for such redemption unless:
 - (a) all of the Series 2016 Bonds are to be redeemed in accordance with the Indenture, upon the prepayment of the amounts payable under the Loan Agreement, or
 - (b) if less than all of the Series 2016 Bonds are to be redeemed, the College shall furnish to the Issuer and the Trustee an acceptable certificate stating (i) that the portion of the College that was damaged or destroyed or was taken by such condemnation proceedings is not

essential to the use or possession of the College by the Borrower or (ii) that the College has been repaired, restored, modified or improved to enable the College to operate as designed.

In the event the net proceeds are insufficient, the Borrower will nonetheless complete the work and will pay any cost in excess of the amount of the net proceeds.

Any balance of the net proceeds deposited in the separate trust fund and remaining after the repair, restoration, modification or improvement has been completed shall be transferred to the Series 2016 Bond Fund, or if the Series 2016 Bonds have been fully paid (or provisions for payment thereof have been made in accordance with the provisions of the Indenture), the balance shall be paid to the Borrower.

Removals from College: Gifts

The Borrower may not dispose of its cash or demolish, remove or dispose of any real property, structures, furnishings, machinery, equipment or other improvements now or hereafter existing as part of the College, except as stated below:

(a) The Borrower, free of any obligation to make any replacement thereof, may demolish, remove or dispose of any real property, structure, furnishing, machinery, equipment or other improvement now or hereafter existing as part of the College, and may make any donation, gift or transfer of its cash without fair and adequate consideration or compensation, to any individual, partnership, corporation or other entity provided the net book value of all such demolitions and removals plus the donations, gifts or transfers of cash made pursuant to this provision during any Fiscal Year shall not exceed 15% of the total assets of the Borrower as shown on its books as of the beginning of such Fiscal Year. The net proceeds, if any, arising from any such actions shall first be used to make up any Series 2016 Bond Fund deficiencies, and then may be used by the Borrower as it shall in its sole discretion determine.

(b) Except as provided in (a) above, if the Borrower in its sole discretion determines that (i) any real property, structure, furnishing, machinery, equipment or other improvement now or hereafter constituting a part of the College has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, or its disposal as hereinafter provided is in the best interests of operation of the College, or (ii) a donation, gift or transfer of its cash to another entity is desirable, the Borrower may give written notice thereof to the Trustee, and then demolish or remove such property from the College, and may, to the extent permitted by law, sell, trade-in, exchange or otherwise dispose of same, in whole or in part, or may donate, give away or transfer such cash provided that either:

(1) The Borrower shall, at its own cost and expense, acquire, construct or install replacement or substitute real property, structures, furnishings, machinery, equipment or other improvements having a usefulness, as determined by the Borrower, to the operations of the Borrower (but not necessarily the same function) at least equal to the usefulness, prior to demolition, removal or disposal of the property demolished, removed or disposed of; or

(2) The Borrower shall demolish, remove or dispose of any such property from time to time at its own cost and expense, without any obligation on the part of the Borrower to provide any property in replacement of or substitution for that demolished, removed or disposed of, or may donate, give away or transfer such cash upon the following terms and conditions:

(i) prior to such demolition, removal, disposal, donation, gift or transfer, the Borrower must give to the Trustee written notice thereof setting forth a brief description of the property to be demolished, removed or disposed of and

the net book value thereof as shown on the books of the Borrower or the amount of cash to be donated, given away or transferred; and

(ii) the Borrower must submit to the Trustee a certificate of its chief executive officer and its chief financial officer and acceptable to the Trustee determining that the property to be demolished, removed or disposed of has become obsolete, inadequate, worn out, unsuitable, undesirable or unnecessary or its disposal is in the best interests of the Borrower's operation of College and that its demolition, removal or disposal will not impair the structural soundness, efficiency or economic value of the College and to the effect that the demolition, removal or disposal of the property to be demolished, removed or disposed of, or the donation, gift or transfer of cash will not cause the Pledged Revenues available for debt service on the Series 2016 Bonds in the Fiscal Year following the Fiscal Year in which the demolition, removal or disposal of such property occurs to be less than 125% of the Maximum Annual Debt Service on the Series 2016 Bonds for any subsequent Fiscal Year.

Covenants of the Borrower

The Borrower covenants as follows:

(1) The Borrower shall furnish to the Trustee the following information, and shall furnish to any owner of the Series 2016 Bonds who shall have requested in writing items (a) and (b) below:

(a) within one hundred eighty (180) days after the end of the preceding Fiscal Year, an audit report covering the operations of the Borrower, which includes the combined statements of financial position of the Borrower and the related combined statements of activities and cash flows for the year ended that date, reported on by independent public accountants;

(b) upon request, copies of all such regular or periodic reports which are available for public inspection and which the Borrower may be required to file with any federal or state department, bureau, commission or agency;

(c) within one hundred eighty (180) days after the end of the preceding Fiscal Year, a certification that the Borrower is in compliance with all covenants and agreements made by the Borrower and contained in the Loan Agreement.

(2) The Borrower agrees to fix, maintain and charge tuition, fees and dormitory rentals for use of the College and for services provided by the College such that Pledged Revenues in each Fiscal Year will not be less than 125% of the Maximum Annual Debt Service on all Outstanding Series 2016 Bonds in any Fiscal Year thereafter.

(3) The Borrower agrees that during the Term of the Loan Agreement it will maintain its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income taxation under Section 501(a) of the Code.

(4) The Borrower covenants that all property acquired with proceeds of the Series 2016 Bonds will be owned by the Borrower, by an organization described in the Code, or by a state or local governmental unit.

(5) Issuer and Borrower covenant that no portion of the proceeds of the Series 2016 Bonds will be used to acquire prohibited facilities as described in the Code and that neither will take any action that would cause the Series 2016 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and regulations promulgated pursuant thereto.

(6) The Borrower covenants to comply with the provisions of the Indenture with respect to payment of arbitrage rebate.

Security Interest in the Pledged Revenues

The Borrower grants to the Trustee a security interest in the Pledged Revenues in order to secure payment of principal of and interest on the Series 2016 Bonds. The Borrower agrees that in the event of a Default under the Loan Agreement and acceleration of payment of the Series 2016 Bonds by the Trustee pursuant to the Indenture, the Trustee may foreclose its security interest in the Pledged Revenues and cause the Borrower to pay any Pledged Revenues directly to the Trustee and use any proceeds therefrom for payment of principal of and interest on the Series 2016 Bonds irrespective of any other remedies exercised by the Issuer or the Trustee. The security interest in the Pledged Revenues shall remain in effect until the Borrower shall have satisfied its obligations under the Loan Agreement, at which time the Issuer will cause the execution and delivery to the Borrower of such documents as shall be necessary to effect or evidence the termination of such security interest. Notwithstanding the security interest in the Pledged Revenues granted in the Loan Agreement, the Borrower shall have the right, so long as it is not in default under the Loan Agreement, to use Pledged Revenues for any proper purpose to the extent not prohibited or restricted by the terms of the Loan Agreement.

Leasing and Operating Contracts

The Borrower may lease any part of the College financed or refinanced with the proceeds of the Series 2016 Bonds or contract for the performance by others of operations or services of or in connection with any part of the College financed or refinanced with the proceeds of the Series 2016 Bonds for any lawful purpose which is consistent with the requirements of the Act, provided that (a) such lease or operating contract shall not be inconsistent with the provisions of the Loan Agreement or the Indenture and (b) the Borrower shall remain fully obligated and responsible under the provisions of the Loan Agreement to the same extent as if such lease or operating contract had not been executed. In addition, each such lease or contract shall be expressly conditional upon an opinion of Bond Counsel acceptable to Trustee that the exclusion from gross income of the interest on the Series 2016 Bonds shall not be adversely affected by such lease or contract.

Defaults

The Loan Agreement provides that any one or more of the following events will constitute a "Default":

- (a) failure by the Borrower to pay the amounts required to be paid under the Loan Agreement relating to the payment of the principal of and interest on the Series 2016 Bonds as the same become due, at the times specified therein;
- (b) failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (a) above, for a period of thirty (30) Business Days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Borrower by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected; or
- (c) certain events of bankruptcy, dissolution, liquidation or reorganization by the Borrower.

The Borrower will not be deemed to be in default under paragraph (b) above if due to force majeure, as defined in the Loan Agreement, it is unable in whole or in part to carry out any obligation in the Loan Agreement, other than the obligation to pay taxes and other governmental charges, to carry insurance and to maintain the College.

Remedies

Whenever any Default under the Loan Agreement shall have happened and be continuing, the Issuer (or the Trustee pursuant to the assignment of rights and remedies contained in the Indenture) may take one or any combination of the following remedial steps:

- (1) by written notice to the Borrower, declare an amount equal to all amounts then due and payable on the Series 2016 Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages and not as a penalty;
- (2) have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower during regular business hours of the Borrower if reasonably necessary in the opinion of the Trustee;
- (3) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement; and/or
- (4) proceed by appropriate judicial action to foreclose the security interest in the Pledged Revenues.

Any amounts collected pursuant to action taken upon the happening of an event of default shall be paid into the Series 2016 Bond Fund.

Options: Prepayment of the Loan

The Borrower has the option to terminate the Loan Agreement at any time prior to full payment of the Series 2016 Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) upon (i) paying to the Trustee an amount which, when added to the amount on deposit and available in the Series 2016 Bond Fund, will be sufficient to pay, retire and redeem all the Outstanding Series 2016 Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal and interest to maturity or applicable redemption date, as the case may be, and expenses of redemption and the Trustee's and Paying Agents' fees and expenses), and, in case of redemption, by making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, and (ii) giving the Issuer notice in writing of such termination, and such termination shall forthwith become effective.

The Borrower also has the option to prepay the amounts payable under the Loan Agreement upon the occurrence of any of the events described under "**THE BONDS—Optional Redemption**," "**THE BONDS—Special Extraordinary Redemption**," or "**THE BONDS--Extraordinary Redemption**." In such a case, the prepayment amount shall be the sum of the following:

- (1) An amount of money which, when added to the amount then on deposit and available in the Series 2016 Bond Fund, will be sufficient to retire and redeem all the Outstanding Series 2016 Bonds on the earliest possible redemption date after notice as provided in the Indenture, including, without limitation, the principal amount thereof, all interest to accrue to said redemption date, and expenses, plus
- (2) An amount of money equal to the Trustee's and Paying Agents' fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Series 2016 Bonds, plus
- (3) An amount of money equal to the Issuer's fees and expenses under the Loan Agreement accrued and to accrue until such final payment and redemption of the Series 2016 Bonds.

SUMMARY OF PORTIONS OF THE INDENTURE

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Trust Indenture dated as of September 1, 2016, by and between the Issuer and the Trustee (the "Indenture").

Assignment and Security

Pursuant to the Indenture, the Issuer's interest in the Loan Agreement and all amounts payable by the Borrower to the Issuer under the Loan Agreement (other than certain indemnification rights and certain fees and expenses of the Issuer) are assigned to the Trustee by the Issuer to secure the payment of the principal of and interest on the Series 2016 Bonds.

Application of Series 2016 Bond Fund

Moneys in the Series 2016 Bond Fund into which the payments made pursuant to the Loan Agreement and certain other amounts specified in the Indenture will be deposited, will be maintained with the Trustee. Moneys in the Series 2016 Bond Fund shall be used for the payment of the principal of, premium, if any, and interest on the Series 2016 Bonds.

Repayment to the Borrower

Any amounts remaining in the Series 2016 Bond Fund or any other fund created under the Indenture after payment in full of the principal of and interest on the Series 2016 Bonds, the fees, charges and expenses of the Trustee, the amounts constituting "excess investment earnings" required to be rebated to the United States, and all other amounts required to be paid under the Indenture, shall be paid immediately to the Borrower.

Investment

Any moneys held as part of the Series 2016 Bond Fund or any other fund created under the Indenture shall be invested and reinvested as provided in the Loan Agreement (see the caption "**SUMMARY OF PORTIONS OF THE LOAN AGREEMENT -- Investment of Moneys**").

Discharge of Lien

The lien of the Indenture shall be discharged if:

- (1) the principal of and interest due or to become due on the Series 2016 Bonds at the time and in the manner stipulated therein have been paid or provision for payment has otherwise been made to or for the Owners of the Series 2016 Bonds;
- (2) there shall be no Default in any of the covenants and promises in the Series 2016 Bonds and in the Indenture; and
- (3) the Issuer shall cause to be paid to the Trustee and any Paying Agents all sums of money due or to become due according to the provisions of the Indenture.

Any Series 2016 Bond shall be deemed to be paid when (a) payment of the principal of such Series 2016 Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment and/or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Series 2016 Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the

Trustee's satisfaction. At such time as a Bond shall be deemed to be paid as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such bonds as aforesaid until (a) proper notice of redemption of such bonds shall have been previously given in accordance with the Indenture or, in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, until the Borrower shall have given the Trustee on behalf of the Issuer, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the owners of the Series 2016 Bonds in accordance with the requirements of the Indenture, that the deposit required by (a)(ii) above has been made with the Trustee and that said Series 2016 Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of said Bonds, plus interest thereon to the due date thereof; or (b) the maturity of such Series 2016 Bonds.

The Issuer and the Trustee have agreed that no deposit will be made or accepted under the Indenture and no use made of any such deposit which would cause the Series 2016 Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

Defaults and Remedies

Any of the following events will constitute a Default under the Indenture:

- (1) Default in the due and punctual payment of interest on any Series 2016 Bond;
- (2) Default in the due and punctual payment of the principal of any Series 2016 Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;
- (3) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in the Series 2016 Bonds and failure to remedy the same after notice as provided in the Indenture; or
- (4) The occurrence of a "Default" under the Loan Agreement (see the caption "**SUMMARY OF PORTIONS OF THE LOAN AGREEMENT - Defaults**").

In the event of a Default, the Trustee may, and at the written request of Bondowners of not less than 25% in principal amount of Outstanding Series 2016 Bonds shall, by written notice to the Issuer and to the Borrower, declare the Series 2016 Bonds to be immediately due and payable, whereupon they shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Series 2016 Bonds to the contrary notwithstanding. Upon any such declaration of acceleration, the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Series 2016 Bonds to be immediately due and payable under the Loan Agreement.

The Trustee may also or as an alternative pursue any available remedy by suit at law or in equity to enforce the payment of the principal of and interest on the Series 2016 Bonds then Outstanding.

Waiver of Event of Default

The Trustee may waive any Default under the Indenture and its consequences and rescind any declaration of acceleration of principal, and shall do so upon the written request of the Bondowners of (1) more than two-thirds in aggregate principal amount of all the Series 2016 Bonds then Outstanding in respect of which Default in the payment of principal or interest, or both, exists or (2) more than two-thirds in aggregate principal amount of all Series 2016 Bonds then Outstanding in the case of any other Default; provided, however, that there may not be waived any Default in the payment of the principal of or interest on any Outstanding Series 2016 Bonds unless prior to such waiver or rescission all arrearages of principal and interest (other than principal of or interest on the Series 2016 Bonds which

became due and payable by declaration of acceleration), with interest to the extent permitted by law at the Late Payment Rate on overdue installments, and all expenses of the Trustee in connection with such Default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, and the Owners of the Series 2016 Bonds shall be restored to their former positions and rights under the Indenture, but no such waiver or rescission shall extend to any subsequent or other Default or impair any right consequent thereon.

Additional Obligations

Additional Obligations may be issued as Parity Debt provided that:

- (1) there is no Event of Default with respect to the Series 2016 Bonds and no event of default under the instruments securing the Prior Debt, or any Outstanding Parity Debt; and
- (2) An Accountant has issued a written opinion that the Pledged Revenues collected by Borrower in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Obligations are proposed to be issued were at least 140% of the Maximum Annual Debt Service on Outstanding Series 2016 Bonds and all Outstanding Parity Debt, plus the Additional Obligations proposed to be issued, or that Adjusted Pledged Revenues (being Pledged Revenues adjusted for student tuition, fees and dormitory rental increases adopted prior to issuance of such Additional Obligations) collected by Borrower in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Obligations are proposed to be issued would have been at least 140% of the Maximum Annual Debt Service on Outstanding Series 2016 Bonds and all Outstanding Parity Debt, plus the Additional Obligations proposed to be issued; and
- (3) Bond Counsel has issued a written opinion to the effect that the issuance of the Parity Debt and the execution thereof have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, and that the exclusion from gross income for federal income tax purposes of the interest on the Series 2016 Bonds and any Outstanding Parity Debt will not be affected by the issuance of the Parity Debt being issued.

Additional Obligations may be issued or incurred as Parity Debt to refund any Outstanding Series 2016 Bonds, Outstanding Series 2012 Bonds, or Outstanding Parity Debt without complying with the above, if the refunded Outstanding Series 2016 Bonds, Outstanding Series 2012 Bonds, or Outstanding Parity Debt are defeased on the date of delivery of the refunding Additional Obligations and if the annual Debt Service of the refunding Additional Obligations do not exceed the annual Debt Service of the refunded Series 2016 Bonds, Series 2012 Bonds, or Additional Obligations in any Fiscal Year by more than \$5,000.

Each series of Additional Obligations may be equally and ratably secured with the Series 2016 Bonds and all other series of Additional Obligations, if any, theretofore issued pursuant to the terms and conditions of the Indenture, without preference, priority or distinction of any bonds over any other thereof.

Nothing prevents any Future Issuer or Borrower from incurring indebtedness the lien of which is subordinate to the lien of the Series 2016 Bonds.

In addition to the Series 2012 Bonds, the Series 2016 Bonds, and the Parity Debt, Borrower may incur other forms of indebtedness, as follows:

(a) Borrower may incur Short-Term Indebtedness, payable on a parity as to the pledge of Pledged Revenues securing the Series 2016 Bonds, if immediately after incurrence of such Short-Term Indebtedness the Outstanding principal amount of all Short-Term Indebtedness does not exceed 10% of budgeted Pledged Revenues as shown on the annual budget for the current Fiscal Year.

- (b) Borrower may incur Subordinated Indebtedness without limit as to amount.

Amendment of Indenture without Consent of Bondowners

Issuer and Trustee may, without consent of or notice to any of the Bondowners, amend the Indenture for any one or more of the following purposes: (a) to cure any ambiguity, inconsistency, formal defect, or omission in the Indenture in a manner not adverse to the Bondowners or any owners of any Parity Debt; (b) to grant to or confer upon Trustee for the benefit of Bondowners any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon Bondowners or Trustee; (c) to subject to the lien of the Indenture additional revenues, properties or collateral; (d) to modify, amend, or supplement the Indenture in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of the Series 2016 Bonds for sale under the securities laws of any of the states of the United States of America; (e) to evidence the appointment of a separate or Co-Trustee or the succession of a new Trustee hereunder; (f) to add to the covenants and agreements of, and limitations and restrictions upon, Issuer in the Indenture, other covenants, agreements, limitations, and restrictions to be observed by Issuer which are not contrary or inconsistent with the Indenture as therefore in effect; (g) to surrender any rights or power herein reserved to or conferred upon Issuer; (h) to permit the issuance of the Series 2016 Bonds in coupon form; (i) to confirm, as further assurance, any pledge under, and subject to any claim, lien, or pledge created or to be created by the Indenture of any other money, securities, or funds; (j) to authorize different denominations of the Series 2016 Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of the Series 2016 Bonds of different denominations, redemptions of portions of the Series 2016 Bonds of particular authorized denominations, and similar amendments and modifications of a technical nature; (k) to modify, alter, amend, or supplement the Indenture in any other respect which is not materially adverse to the Owners of the Series 2016 Bonds or any Outstanding Parity Debt and which does not involve a change which specifically requires Bondowner approval in the Indenture; (l) because of a change in federal law or rulings, to maintain the exclusion from gross income of the interest on the Series 2016 Bonds from federal income taxation; or (m) to make such additions, deletions or modifications as may be necessary to assure compliance with Section 145 of the Code relating to qualified 501(c)(3) obligations, Section 148(f) of the Code relating to required rebate of Excess Investment Earnings to the United States, or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Series 2016 Bonds.

Before Issuer shall adopt any amendments, there shall have been delivered to Issuer and Trustee an opinion of Bond Counsel, stating that such amendments are authorized or permitted by the Indenture and, upon the execution and delivery thereof, will be valid and binding upon Issuer in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 2016 Bonds.

At least thirty (30) days prior to the adoption of any such amendments, Issuer shall cause a notice of the proposed amendments to be published once a week for two successive weeks in (i) a daily newspaper of general circulation in Pulaski County, Arkansas, and (ii) a daily newspaper of general circulation or a Financial Newspaper or Journal published in the Borough of Manhattan and State of New York. It shall not be necessary for Issuer to publish the particular form of any proposed amendment, but it shall be sufficient if such notice shall briefly set forth the nature of the proposed amendments and shall state that copies thereof are on file at the offices of Issuer.

Amendment of Indenture Requiring Consent of Bondowners

Except as otherwise permitted above, amendments to the Indenture require the Owners of not less than a majority in aggregate principal amount of the Outstanding Series 2016 Bonds shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by Issuer and Trustee of such amendments to the Indenture as shall be deemed necessary and desirable by Issuer for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing shall permit, or be construed as permitting, without the consent of the Owners of all Outstanding Series 2016 Bonds, (a) an extension of the maturity of the principal of or the interest on any Series 2016 Bond issued hereunder, or (b) a reduction in the principal amount of any Series 2016 Bond or the rate of interest thereon, or (c) a privilege or priority of any Series 2016 Bond or Series 2016 Bonds over any other Series 2016 Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Series 2016 Bonds required for consent to such supplemental indentures or any modifications or waiver of the provisions of the Agreement, or (e) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any

part thereof, except as hereinbefore expressly permitted, or (f) the deprivation of the Owner of any Outstanding Series 2016 Bonds of the lien hereby created on the Trust Estate.

If at any time Issuer shall determine that it is necessary or desirable to adopt any amendments for any of the purposes permitted above, Issuer shall cause notice of the proposed adoption of such amendment to be published once each week for two successive weeks in (i) a daily newspaper of general circulation in Pulaski County, Arkansas, and (ii) a daily newspaper of general circulation or a Financial Newspaper or Journal published in the Borough of Manhattan and State of New York, and, on or before the date of the first publication of such notice, it shall also cause a similar notice to be mailed, postage prepaid, to all Owners of then Outstanding Series 2016 Bonds at their addresses as they appear on the registration books. It shall not be necessary for Issuer to deliver by mail the particular form of any proposed amendment, but it shall be sufficient if such notice shall briefly set forth the nature of the proposed amendments and shall state that copies thereof are on file at the offices of Issuer. Issuer shall not be subject to any liability to any Bondowner by reason of its failure to cause the notice required by this Section to be mailed and any such failure shall not affect the validity of such amendments when consented to and approved as provided by this Section.

If the Bondowners of not less than a majority of the aggregate principal amount of the Outstanding Series 2016 Bonds at the time of the adoption of such amendment shall have consented to and approved the adoption thereof as herein provided, no Owners of any Series 2016 Bond shall have any right to object to the adoption of such amendment, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain Issuer from adoption the same or from taking any action pursuant to the provisions thereof.

UNDERWRITING

Under a bond purchase agreement entered into by and among the Issuer, the Borrower and the Underwriters, the Series 2016 Bonds are being purchased at a price equal to \$23,160,825.05 (which is the par amount of the bonds - \$22,330,000, less Underwriters' discount of \$110,424.80 plus premium of \$941,249.85), for reoffering by the Underwriters. The bond purchase agreement provides that the Underwriters will purchase all of the Series 2016 Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2016 Bonds is subject to various conditions contained in the bond purchase agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2016 Bonds or any proceedings in connection with the issuance thereof and the absence of material adverse changes in the financial or business condition of the Borrower.

The Underwriters intend to offer the Series 2016 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2016 Bonds to the public. The Underwriters may offer and sell Series 2016 Bonds to certain dealers (including dealers depositing Series 2016 Bonds into investment trusts) at prices lower than the public offering price.

The Borrower has agreed to indemnify the Underwriters and the Issuer against certain civil liabilities in connection with the offering and sale of the Series 2016 Bonds, including certain liabilities under federal securities laws.

ENFORCEABILITY OF REMEDIES

Rights of the registered owners of the Series 2016 Bonds and the enforceability of the remedies available under the Indenture may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State of Arkansas or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under

the Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

CONTINUING DISCLOSURE AGREEMENT

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. The Borrower has undertaken all such responsibility for any continuing disclosure to Bondholders as described below and in Appendix E hereto, and the Issuer shall have no liability to the Bondholders or any other person with respect to SEC Rule 15c2-12.

During the past five (5) years, the Borrower has been obligated to comply with continuing disclosure agreements involving seven (7) bond issues. All such agreements require the Borrower to file annual reports either directly or through the Dissemination Agent (the initial Dissemination Agent in all such cases is the Bond Trustee, the Bank of the Ozarks, Little Rock, Arkansas). The Borrower is required to file, or cause to be filed by the Dissemination Agent, the annual reports either with national repositories (for reports due prior to July 1, 2009) or with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access System ("EMMA") within various time periods set by those agreements. In 2014 the Borrower completed an extensive review of its compliance with its continuing disclosure agreements. While the Borrower has made no determination as to materiality, the following summarizes a non-exhaustive list of the Borrower's review through July 1, 2016.

As part of its annual report, the Borrower is obligated to file annual audited financial statements.

The audited financial statements of the Borrower for the fiscal years ended May 31, 2012, May 31, 2013, May 31, 2014 and May 31, 2015 were filed 3 days, 2 days, 325 days and 1 day late, respectively on four (4) bond issues. In addition, the audited financial statements for the Borrower for the fiscal year ended June 30, 2014 were not correctly linked to all applicable CUSIP numbers. For two other bond issues, no audits of the Borrower's general purpose financial statements were filed for the years 2012 and 2013. A notice concerning the failure to file such financial statements was not filed on EMMA.

All of the continuing disclosure agreements requires that certain supplemental financial and operating data be provided as part of the annual report. In each instance the supplemental data is to be of the type set forth in the Official Statement which accompanied each of the Borrower's bond issues. The Borrower provided most, but not all, of the required supplemental data each year, except that for three bond issues no supplemental financial and operating data was filed for years 2012 and 2013. In certain cases, the supplemental data was included in the audited financial statements that were filed as part of the annual report what was not presented in the manner prescribed in the continuing disclosure agreements. The supplemental data that was filed with the audit financial statements was, in certain cases, filed late as set forth above. As of this date the supplemental data for all bond issues that are outstanding has been filed.

The continuing disclosure agreements also obligated the Borrower to file a notice of the occurrence of any significant event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). Included in the list of significant events are bond calls and rating changes. During the past five years the Dissemination Agent has filed several notices concerning either extraordinary bond calls or notice of defeasance and full redemption of outstanding bonds. All such filings were made in a timely manner. However, the Borrower failed to file notice of a bond rating change for certain outstanding bonds in a timely fashion. The Borrower has now filed notices of these significant events under all the continuing disclosure agreements related to the bonds that are currently outstanding.

TAX EXEMPTION

In the opinion of Wright, Lindsey & Jennings LLP, bond counsel, under existing law, interest on the Series 2016 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of

the federal alternative minimum tax imposed on individuals and corporations; bond counsel notes, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion of bond counsel is subject to the condition that the Issuer and the Borrower comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal tax purposes. The Issuer and Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2016 Bonds in gross income for federal tax purposes to be retroactive to the date of issuance of the Series 2016 Bonds. Bond counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2016 Bonds.

Purchasers of the Series 2016 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States); property and casualty insurance companies, banks, thrifts or other financial institutions; certain recipients of Social Security or Railroad Retirement benefits; taxpayers otherwise entitled to claim the earned income tax credit; and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors concerning their tax consequences of purchasing and holding the Series 2016 Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2016 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Series 2016 Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Tax Treatment of Original Issue Discount.

When the initial public offering price for any Series 2016 Bond, as reflected on the confirmation of sale received from the Underwriters, is less than the original amount payable at maturity for such Series 2016 Bonds (the "OID Bonds"), such difference constitutes original issue discount which is treated as interest and is excluded from gross income for federal income tax purposes subject to the caveats and provisions described above.

In the case of an owner of an OID Bond, the amount of original issue discount which is treated as having accrued with respect to such OID Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such OID Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Series 2016 Bond bearing original issue discount, on days which are determined by reference to the maturity of such Series 2016 Bond. The amount treated as original issue discount on such OID Bond for a particular semiannual accrual period is equal to (i) the product of (a) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, (ii) less the amount of any payments on such OID Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which would have been treated as original issue discount for such purposes during all prior periods. If such OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of OID Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to OID Bonds as of any date, with respect to the accrual of original issue discount for such OID Bonds purchased in the secondary markets and with respect to the state and local tax consequences of owning OID Bonds.

Tax Treatment of Original Issue Premium.

When the initial public offering price for any Series 2016 Bond, as reflected on the confirmation of sale received from the Underwriters, is greater than the principal amount thereof, such difference constitutes original issue premium and the bond is a "Premium Bond." Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

State Tax Exemption.

Further, in the opinion of bond counsel, under existing laws, the Series 2016 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxation.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of the exclusions (including tax-exempt interest) and deductions available to certain taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

RATINGS

Standard & Poor's Ratings Group has assigned the Series 2016 Bonds a rating of "BBB+", subject to compliance with certain continuing disclosure requirements. This rating reflects only the views of Standard & Poor's Ratings Group and an explanation of the significance of the rating may be obtained from Standard & Poor's Ratings Group at 25 Broadway, New York, New York 10004, telephone 212-208-8000. Standard & Poor's Ratings Group is independent of any investment banking firm, bank or similar institution.

The Borrower furnished to the rating agency certain information and materials, some of which have been included in this Preliminary Official Statement, relating to the Series 2016 Bonds and the Borrower. Generally, rating agencies base their ratings on materials and information furnished to the rating agencies and on investigations, studies and assumptions by the rating agencies. The debt ratings are not a recommendation to purchase, sell or hold a security, inasmuch as they do not comment as to market price or suitability for a particular investor. There can be no assurance that such ratings will continue for any given period of time or that they will not be lowered, suspended or withdrawn entirely by the rating agencies. Any such downward changes in or suspension or withdrawal of the rating may have an adverse effect on the marketability of and secondary market price of the Series 2016 Bonds.

LEGAL MATTERS

Legal Opinions

Legal matters incident to the authorization and issuance of the Series 2016 Bonds are subject to the unqualified approving opinion of Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel, whose approving opinion will be delivered with the Series 2016 Bonds. Certain matters will be passed upon for the Borrower by Ellis Arnold, Esq., General Counsel to the Borrower.

Litigation

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2016 Bonds, or questioning or affecting the legality of the Series 2016 Bonds or the proceedings and authority under which the Series 2016 Bonds are to be issued, or questioning the right of the Issuer to enter into the Indenture and the Loan Agreement or to issue the Series 2016 Bonds. In addition there is no litigation currently pending, or to management's knowledge threatened, against the Borrower or its properties.

ACCOUNTANTS

The financial statements of the College included in Appendix B to this Official Statement have been audited by BKD LLP, independent certified public accountants, to the extent and for the period indicated in their report thereon.

MISCELLANEOUS

The Borrower has furnished the information in this Official Statement relating to its operations and the Series 2016 Projects. The Underwriters have furnished the information in this Official Statement with respect to the public offering price of the Series 2016 Bonds and the information under the caption "UNDERWRITING."

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned this Official Statement does not include any untrue statement of a material fact; nor does it omit the statement of any material fact required to be stated herein, or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement has been duly authorized by the Issuer and the Borrower.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

By: /s/ Dr. Richard Burnett

Chairman

HENDRIX COLLEGE

By: /s/ Dr. William M. Tsutsui

President

APPENDIX “A”

DEFINITIONS OF CERTAIN TERMS

The following are definitions of some of the words and terms used in this Official Statement:

“Accountant” or “Accountants” means (i) any certified public accountant or firm of such accountants appointed and paid by Borrower, and who, or each of whom, (a) is in fact independent and not under domination of Borrower; (b) does not have any substantial interest, direct or indirect, in Borrower; (c) is not connected with Borrower as an officer or employee of the Issuer, but who may be regularly retained to make annual or other audits of the books of or reports to Borrower; and (d) is satisfactory to Trustee; or (ii) an independent certified public accountant or a firm of such accountants appointed and paid by Issuer to whom Trustee makes no reasonable objection.

“Act” means the Arkansas Code Annotated §§ 15-5-101 et seq. (2009 Repl. & 2011 Supp.) and all acts supplemental thereto or amendatory thereof.

“Additional Obligations” means (i) bonds of any Future Issuer secured by a pledge of Borrower on a parity of security in the Pledged Revenues with the Outstanding Parity Debt and the Outstanding Series 2016 Bonds, or (ii) other evidences of indebtedness issued by Borrower on a parity of security in the Pledged Revenues with the Outstanding Parity Debt and the Outstanding Series 2016 Bonds.

“Annual Debt Service” means, for any Fiscal Year as applied to any Outstanding Series 2016 Bonds, the sum of all amounts required to pay principal (at maturity or upon mandatory redemption) and interest due in such Fiscal Year on all Outstanding Series 2016 Bonds. “Annual Debt Service” with respect to any other specified type of obligation for any Fiscal Year shall mean the sum of all amounts required to pay principal (at maturity or upon mandatory redemption) and interest due in such Fiscal Year on such specified type of obligation.

“Authorizing Resolution” means the Resolution of the Board of Directors of Issuer, duly adopted on August 18, 2016, authorizing the issuance of the Series 2016 Bonds.

“Bankruptcy Law” means Title 11 of the United States Code, as it is amended from time to time, and any successor thereto or replacement of such Title and any other applicable federal or state bankruptcy, insolvency, or other similar law.

“Beneficial Owner” or “Beneficial Owners” means, for any Series 2016 Bond which is held by a nominee, the beneficial owner or beneficial owners of such Series 2016 Bond.

“Bond Counsel” means Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, or other counsel of nationally recognized standing in matters pertaining to the tax-exempt status of interest and obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States.

“Bond Year” means the twelve month period beginning on October 1 in each year and ending September 30 of the following year except that the first Bond Year shall begin on the Closing Date and end on September 30, 2017.

“Bondowner(s)” or “Owner(s) of the Series 2016 Bonds” means the Registered Owner(s) of any Series 2016 Bond.

“Bonds Refunded” means the Series 2008A Bonds, the Series 2008B Bonds and the Series 2012C Bonds which will be refunded with the proceeds of the Series 2016 Bonds.

“Book-Entry Bonds” means any Series 2016 Bonds issued in book-entry form, as evidenced by a single certificate for each stated principal maturity of the Series 2012C Bonds, and registered in the name of and delivered to a Securities Depository.

“Borrower Representative” means the person or persons at the time designated to act on behalf of Borrower by written Certificate furnished to Issuer and Trustee containing the specimen signatures of such person or persons and signed on behalf of Borrower by the President or any Vice President thereof. Such certificate may designate an alternate or alternates.

“Borrower” means (i) Hendrix College, a nonprofit corporation described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code, and (ii) any surviving, resulting or transferee entity as provided in Section 2.2(b) of the Loan Agreement.

“Business Day” means a day on which banking business is transacted, but not including any day on which banks are authorized to be closed, in the city in which Trustee has its principal corporate trust office.

“Calendar Year” means the period commencing on January 1 of each year and terminating on the next succeeding December 31.

“Closing Date” means, with respect to each series of the Series 2016 Bonds, the date upon which there is an exchange of the Series 2016 Bonds for the proceeds representing the purchase price of the Series 2012 Bonds by Underwriters thereof.

“Code” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and regulations of the United States Treasury Department promulgated thereunder.

“College” means the four-year, degree-granting institution of post-secondary education operated by Borrower under the name “Hendrix College.”

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of September 1, 2016, by and between Borrower and Trustee, pursuant to which Borrower agrees to comply with the provisions of Rule 15c2-12(b)(5) of the Securities and Exchange Commission for the benefit of the Beneficial Owners of the Series 2016 Bonds (as defined in the Continuing Disclosure Agreement).

“Debt Service” means, with respect to each series of the Series 2016 Bonds the scheduled amount of interest and amortization of principal payable on such series of the Series 2016 Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Default” means, with respect to any default under the Indenture, any occurrence or event specified in and defined by Section 9.01 of the Indenture or Section 8.01 of the Loan Agreement, as applicable.

“Delivery Instructions” means those Delivery Instructions of the Issuer, and agreed to by the Borrower, to the Trustee to be delivered on or prior to the Closing Date.

“Depository” means any bank or trust company selected by Issuer and satisfactory to Trustee as a depository of moneys and securities held under the provisions of the Indenture and may include Trustee.

“DTC Participant” has the meaning given to that term in Section 2.07.

“DTC System” has the meaning given that term in Section 2.07.

“DTC” means The Depository Trust Company, New York, New York, and any successor to it or any nominee of it.

“Excess Investment Earnings” means, with respect to each series of the Series of 2016 Bonds, an amount equal to the sum of:

- (i) the excess of:
 - (A) the aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of such Series 2016 Bonds are invested (other than amounts attributable to an excess described in this paragraph (i)) over
 - (B) the amount that would have been earned if the Yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this paragraph (i)) had been equal to the Yield on such series of Bonds; plus
- (ii) any income attributable to the excess described in paragraph (i)

“Financial Newspaper or Journal” means *The Wall Street Journal* or *The Bond Buyer* or any other newspaper or journal printed in the English language and customarily published on each business day devoted to financial news and selected by Trustee, whose decision shall be final.

“Fiscal Year” means the annual accounting period of Borrower as from time to time in effect, initially a period commencing June 1 of each Calendar Year and ending on the next succeeding May 31.

“Fitch” means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by Borrower, with the approval of Issuer and Trustee.

“Future Issuer” means Issuer, Prior Issuer, or any other Person authorized under the laws of the State, or any other state, or the laws of the United States of America to issue bonds and loan the proceeds of such bonds to Borrower to (i) finance the acquisition, design, construction or equipping of facilities or other improvements at the College, or (ii) refinance outstanding obligations of Borrower.

“Governmental Obligations” means direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the payment of the principal of and interest on which is unconditionally guaranteed by the United States of America.

“Gross Proceeds” means the sum of the following amounts:

- (i) original proceeds, namely, net amounts received by or for Issuer as a result of the sale of the Series 2016 Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part any of the Series 2016 Bonds;
- (ii) investment proceeds, namely, amounts received at any time by or for Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part such series of Series 2016 Bonds;
- (iii) sinking fund proceeds, namely, amounts other than original proceeds or investment proceeds (as referenced in clauses (i) and (ii) above) of such Series 2016 Bonds, which are held in the appropriate Series 2016 Bond Fund and any other fund to the extent that Issuer reasonably expects to use such other fund to pay Debt Service with respect to such Series 2016 Bonds;

- (iv) amounts in any other fund established as a reasonably required reserve or replacement fund;
- (v) Investment Property pledged as security for Debt Service or Loan Payments by Borrower, by any organization under common management or control with Borrower, or by Issuer;
- (vi) Loan Payments;
- (vii) amounts other than as specified in this definition used to pay Debt Service; and
- (viii) amounts received as a result of investing amounts described in this definition.

“Indenture” means this Trust Indenture dated as of September 1, 2016, by and between Issuer and Trustee, as originally executed or as it may from time to time be supplemented, modified or amended in accordance herewith.

“Independent Counsel” means an attorney duly admitted to practice law before the highest court of the State and who is not a full-time or part-time employee or director of Issuer or Borrower.

“Insurance Proceeds” means any insurance proceeds from policies required by Section 4.6 of the Loan Agreement or any condemnation award remaining after deducting from the gross proceeds or award all expenses (including attorneys’ fees) incurred in the collection of such proceeds or award.

“Investment Property” means any security (as said term is defined in Section 165(g)(2) (A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

“Issuance Costs” means all costs and expenses of issuance of the Series 2016 Bonds, including, but not limited to: (i) Underwriters’ discount and fees; (ii) counsel fees, including bond counsel, Underwriters’ counsel, Issuer’s counsel, Borrower’s counsel and special tax counsel fees, as well as any other specialized counsel fees; (iii) financial advisor fees; (iv) rating agency fees; (v) trustee fees and trustee counsel fees; (vi) paying agent and certifying and authenticating agent fees related to issuance of the Series 2016 Bonds; (vii) accountant fees; (viii) printing costs of the Series 2016 Bonds and of the preliminary and final official statement; (ix) publication costs associated with the financing proceedings; (x) costs of engineering and feasibility studies necessary to the issuance of the Series 2016 Bonds; (xi) clearing and closing costs; and (xii) initial fees paid by Borrower to Issuer for serving as conduit issuer.

“Issuer” means Arkansas Development Finance Authority, duly organized and existing under the laws of the State, and its successors and assigns.

“Issuer Representative” means the person or persons at the time designated to act on behalf of Issuer by written certificate furnished to Borrower and Trustee containing the specimen signatures of such person or persons and signed on behalf of Issuer by its duly authorized agent. Such certificate may designate an alternate or alternates. Initially the Issuer Representative shall be the Chair, any Vice Chair, President, or any Vice President of the Issuer.

“Letter of Representations” has the meaning given that term in Section 2.07 hereof.

“Loan” means all or any of the proceeds of the Series 2016 Bonds loaned by Issuer to Borrower pursuant to the Loan Agreement.

“Loan Agreement” means the Loan Agreement and Security Agreement dated as of September 1, 2016, by and between Issuer and Borrower, and any amendments thereto.

“Loan Payments” means the amounts required to be paid by Borrower pursuant to the provisions of the Loan Agreement, or all amounts realized by Trustee pursuant to and in accordance with the Loan Agreement.

“Maximum Annual Debt Service” means, at any given time of determination with respect to the Outstanding Series 2016 Bonds, the maximum amount of principal and interest coming due thereon in the current or any specified Bond Year. In the event that any Outstanding Series 2016 Bonds bear interest at a rate or rates which are variable at intervals of less than 12 months, Maximum Annual Debt Service for such Outstanding Series 2016 Bonds shall be calculated by computing the aggregate principal and interest payments due on such Outstanding Series 2016 Bonds in the succeeding Bond Year, as follows:

- (i) for a determination made within the first twelve (12) months after the date of issue for such Outstanding Series 2016 Bonds, interest is computed using the average of the index maintained by the Underwriters for the preceding twelve (12) months for bonds having a rating similar to the Outstanding Series 2016 Bonds, or
- (ii) for all other determinations, interest is computed using the average of rates for the Outstanding Series 2016 Bonds over the preceding twelve (12) calendar months.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by Borrower, with the approval of Issuer and Trustee.

“net proceeds” means the face amount of the Series 2016 Bonds plus accrued interest and premium, if any, less original issue discount, if any.

“Nonpurpose Investment(s)” means any Investment Property other than the Loan, which is acquired with the Gross Proceeds of the Series 2016 Bonds and is not acquired in order to carry out the governmental purpose of the Series 2016 Bonds.

“Original Purchaser” means the first purchaser of the Series 2016 Bonds from Issuer.

“Outstanding Parity Debt” means, as of the applicable date, all Parity Debt bonds which have been lawfully authenticated and delivered, except Parity Debt bonds (a) canceled upon payment, redemption, surrender, exchange, or transfer; (b) delivered to Trustee for cancellation; (c) defeased as permitted by applicable indenture such that those bonds would no longer be considered to be “Outstanding” as defined in the applicable indenture for such bond; or (d) owned by the issuer of such debt or Borrower.

“Outstanding Series 2016 Bonds” means, as of the applicable date, all of the Series 2016 Bonds which have been authenticated and delivered by Trustee under the Indenture, except: (a) any of the Series 2016 Bonds cancelled by Trustee or delivered to Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to, maturity; (b) any of the Series 2016 Bonds paid or deemed paid pursuant to Article VIII hereof; (c) any of the Series 2016 Bonds cancelled after exchanges or transfers pursuant to Section 2.08 hereof; and (d) any of the Series 2016 Bonds in lieu of which others have been issued, authenticated and delivered pursuant to Section 2.07 hereof.

“Owners of the Series 2016 Bonds” means Bondowners.

“Parity Debt” means the Series 2012 Bonds and any future Additional Obligations secured by Pledged Revenues incurred in compliance with Section 2.13 hereof and secured and payable on a parity of security with the Series 2016 Bonds.

“Paying Agent” or “Paying Agents” means Trustee and such financial institutions as are appointed additional Paying Agents pursuant to Section 4.07 hereof.

“Payment Date” means each April 1 and October 1 commencing April 1, 2017.

“Permitted Encumbrances” means, as of any particular time, (i) liens for taxes and assessments not then delinquent or which Borrower may, pursuant to the provisions of Section 4.5 of the Loan Agreement, permit to

remain unpaid, (ii) the Loan Agreement, the Indenture and any financing statements naming Issuer or Borrower as debtor and naming Trustee or Issuer as secured party filed to perfect the security interests granted by the Loan Agreement and the Indenture, (iii) the loan agreement, and indenture, and any financing statements filed to perfect the security interest granted for the benefit of any Parity Debt, (iv) other evidences of indebtedness and any security agreement and any financing statements filed to perfect the security interest of any other Parity Debt, (v) utility, access and other easements and rights-of-way, restrictions and exceptions that Borrower certifies will not interfere with or impair the College, and (vi) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the College and as do not, in the opinion of Independent Counsel, materially impair the property affected thereby.

“Permitted Investments” means, to the extent permitted by law, any of the following:

- (a) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America (“U.S. Government Securities”).
- (b) Direct obligations of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:
 - (1) Export-Import Bank of the United States – Direct obligations and fully guaranteed certificates of beneficial interest
 - (2) Federal Housing Administration – debentures
 - (3) General Services Administration – participation certificates
 - (4) Government National Mortgage Association (“GNMAs”) – guaranteed mortgage backed securities and guaranteed participation certificates
 - (5) Small Business Administration – guaranteed participation certificates and guaranteed pool certificates
 - (6) U.S. Department of Housing & Urban Development – local authority bonds
 - (7) U.S. Maritime Administration – guaranteed Title XI financings
 - (8) Washington Metropolitan Area Transit Authority – guaranteed transit bonds
- (c) Direct obligations of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:
 - (1) Federal National Mortgage Association (“FNMA”) – senior debt obligations rated Aaa by Moody’s Investors Service (“Moody’s”) and AAA by Standard & Poor’s Ratings Services (“S&P”)
 - (2) Federal Home Loan Mortgage Corporation (“FHLMCs”) – participation certificates and senior debt obligations rated Aaa by Moody’s and AAA by S&P
 - (3) Federal Home Loan Banks – consolidated debt obligations
 - (4) Student Loan Marketing Association – debt obligations
 - (5) Resolution Funding Corporation – debt obligations
- (d) Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P.

- (e) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody's and A-1 or better by S&P.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.
- (g) Certificates of deposit, deposit accounts, federal funds or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated P-1 by Moody's and A-1 or better by S&P (not considering holding company ratings).
- (h) Investments in the money-market funds rated AAAM or AAAM-G by S&P.
- (i) Repurchase agreements which are acceptable to the Trustee.
- (j) Investment agreements (also referred to as guaranteed investment contracts) which are acceptable to the Trustee.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Pledged Revenues" means all Student Net Tuition Revenues, board revenue, and housing revenue received by Borrower.

"Prior Issuer" means the Public Facilities Board of the City of Conway, Arkansas.

"Purchase Price" for the purpose of computation of the Yield on any series of Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of such series of the Series 2016 Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such series of the Series 2016 Bonds of each maturity are sold or, if such series of the Series 2016 Bonds is privately placed, the price paid by the first buyer of such series of the Series 2016 Bonds or the acquisition cost of the first buyer.

"Rating Agency" means, individually or collectively, as applicable Moody's, S&P, Fitch, and any other nationally recognized securities rating agency designated by Borrower, with the approval of Issuer and Trustee.

"Record Date" means that date which in fifteen (15) days next preceding any interest payment date or redemption date of such Series 2016 Bond.

"Registered Owner(s)" means the person or persons in whose name or names a Series 2016 Bond shall be registered as shown on the Bond Register.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Revenues" means (a) the Loan Payments, (b) all amounts payable to Trustee with respect to the principal of or redemption premium, if any, or interest on the Series 2016 Bonds by Borrower as required under the Loan Agreement, and (c) investment income with respect to any moneys held by Trustee in the Series 2016 Funds. The term "Revenues" does not include any moneys or investments in the Series 2016 Rebate Fund.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by Issuer, with the approval of Trustee.

“Securities Depository” means a person that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof.

“Series 2008 Bonds” means the Series 2008A Bonds and the Series 2008B Bonds”

“Series 2008 Indenture” means the Indenture of Trust, dated as of October 1, 2002, by and between Prior Issuer and Trustee, as amended and supplemented by a Second Supplemental Trust Indenture, dated as of May 1, 2008, providing for the issuance of the Series 2008 Bonds.

“Series 2008A Bonds” means the \$4,705,000 aggregate principal amount of Prior Issuer’s Capital Improvement Revenue Bonds (Hendrix College Projects), Series 2008A, issued pursuant to that certain Second Supplemental Indenture of Trust dated as of May 1, 2008, by and between Prior Issuer and Trustee.

“Series 2008B Bonds” means the \$19,220,000 aggregate principal amount of Prior Issuer’s Capital Improvement Revenue Bonds (Hendrix College Student Life and Technology Center Project), Series 2008B, issued pursuant to that certain Second Supplemental Indenture of Trust dated as of May 1, 2008, by and between Prior Issuer and Trustee.

“Series 2012 Bonds” means any or all of the Series 2012A Bonds and the Series 2012B Bonds.

“Series 2012 Projects” means any or all of the Series 2012A Project and the Series 2012B Project.

“Series 2012A Bonds” means the \$9,580,000 aggregate principal amount of Issuer’s Revenue Refunding Bonds (Hendrix College 2005A Project), Series 2012A, issued pursuant to the Indenture.

“Series 2012A Project” means the current refunding of the Series 2005A Bonds in order to reduce the annual payments of principal and interest required by Borrower and provide other benefits.

“Series 2012B Bonds” means the \$34,580,000 aggregate principal amount of Issuer’s Revenue Capital Improvement and Refunding Bonds (Hendrix College Projects), Series 2012B, issued pursuant to the Indenture.

“Series 2012C Bonds” means the \$8,105,000 aggregate principal amount of Issuer’s Revenue Bonds (Hendrix College Project), Series 2012C, issued pursuant to Trust Indenture entered into by and between the Issuer and First Security Bank, as trustee.

“Series 2016 Bonds” means the \$22,330,000 Arkansas Development Finance Authority Revenue Refunding Bonds (Hendrix College Project).

“Series 2016 Bond Fund” means fund by that name created in Section 5.02 of the Indenture and maintained in accordance with Section 5.04 of the Indenture.

“Series 2016 Fund” means any or all of the funds created in Section 5.02 of the Indenture.

“Series 2016 Issuance Costs Fund” means the fund by that name created in Section 5.02 of the Indenture and maintained in accordance with Section 5.06 of the Indenture.

“Series 2016 Rebate Fund” means the fund by that name created in Section 5.02 of the Indenture and maintained in accordance with Section 5.07 of the Indenture.

“Short-Term Indebtedness” means all indebtedness incurred or assumed by Borrower for any of the following: (a) payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of Borrower, for a period from the date originally incurred, of one year or less; (b) payments under leases having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and (c) payments under installment purchase contracts having an original term of one year or less.

“Special Record Date” has the meaning given to that term in Section 2.02.

“State” means the State of Arkansas.

“Student Net Tuition Revenue” means gross tuition and mandatory fees less institutional financial aid. Institutional financial aid includes scholarships, need based institutional grants, and work-study wages paid by Borrower as part of the Federal Work-study program.

“Subordinated Indebtedness” shall mean bonds, notes, or other forms of indebtedness, the payment of the principal of or interest or redemption premium on which are payable solely from moneys of Borrower after payment of all periodic obligations hereunder or under the provisions of any Prior Debt or Parity Debt.

“Term of Loan Agreement” means the term of the Loan Agreement as specified in Section 10.1 of the Loan Agreement.

“Trustee” means Bank of the Ozarks, with a trust office in Little Rock, Arkansas, and its successors and any entity resulting from or surviving any conversion, sale, transfer, consolidation, or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

“Trust Estate” means the property conveyed to Trustee pursuant to the Granting Clauses of the Indenture.

“Underwriters” means Stephens Inc. and Crews & Associates, Inc.

APPENDIX "B"

**ACCOUNTANTS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS OF THE BORROWER
FOR THE FISCAL YEAR ENDING MAY 31, 2015
AND FISCAL YEAR ENDING MAY 31, 2014**

Hendrix College

Independent Auditor's Reports and Consolidated Financial Statements

May 31, 2015 and 2014



Hendrix College
May 31, 2015 and 2014

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Independent Auditor's Report on Financial Statements

Board of Trustees
Hendrix College
Conway, Arkansas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hendrix College (the College), which comprise the consolidated statements of financial position as of May 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Administration's Responsibility for the Financial Statements

Administration is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Hendrix College
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hendrix College as of May 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Little Rock, Arkansas
September 28, 2015

Hendrix College
Consolidated Statements of Financial Position
May 31, 2015 and 2014

Assets

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,750,729	\$ 833,619
Accounts receivable, net of allowance; 2015 – \$441,257; 2014 – \$304,190	894,154	1,017,528
Contributions receivable, net of allowance and discount; 2015 – \$1,542,311; 2014 – \$653,695	23,759,194	4,496,068
Notes receivable, net of allowance; 2015 and 2014 – \$158,718	1,329,413	1,478,335
Investments	187,811,004	185,519,501
Beneficial interest in perpetual trusts	1,394,470	1,395,130
Property and equipment, net	116,810,081	119,938,145
Other assets	<u>3,861,367</u>	<u>4,008,288</u>
Total assets	<u>\$ 338,610,412</u>	<u>\$ 318,686,614</u>

Liabilities and Net Assets

Liabilities

Accounts payable and other liabilities	\$ 8,293,254	\$ 7,908,249
Annuities and trusts payable	4,088,465	4,295,028
Accrued postretirement benefit costs	19,501,319	13,530,080
Notes payable	8,657,616	6,662,867
Bonds payable	<u>66,441,029</u>	<u>69,255,000</u>
Total liabilities	<u>106,981,683</u>	<u>101,651,224</u>

Net Assets

Unrestricted	73,188,092	84,634,710
Unrestricted, noncontrolling interest	<u>223,824</u>	<u>88,135</u>
Total unrestricted	73,411,916	84,722,845
Temporarily restricted	66,352,367	66,775,092
Permanently restricted	<u>91,864,446</u>	<u>65,537,453</u>
Total net assets	<u>231,628,729</u>	<u>217,035,390</u>
Total liabilities and net assets	<u>\$ 338,610,412</u>	<u>\$ 318,686,614</u>

Hendrix College
Consolidated Statements of Activities
Years Ended May 31, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Tuition and fees	\$ 50,109,159	\$ -	\$ -	\$ 50,109,159
Less scholarships and financial aid	<u>32,225,493</u>	<u>-</u>	<u>-</u>	<u>32,225,493</u>
Net tuition and fees	17,883,666	-	-	17,883,666
Investment income	1,145,661	1,474,183	-	2,619,844
Private gifts	1,947,000	1,133,507	26,329,804	29,410,311
Sales and services of auxiliary enterprises	14,857,973	-	-	14,857,973
Other revenues	919,919	3,845	-	923,764
Net realized and unrealized gains	3,083,636	4,991,989	-	8,075,625
Grants and contracts	1,903,020	-	-	1,903,020
Change in value of split interest agreements	-	(78,672)	(2,151)	(80,823)
Change in beneficial interest in perpetual trusts	-	-	(660)	(660)
Net assets released from restrictions	<u>7,947,577</u>	<u>(7,947,577)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>49,688,452</u>	<u>(422,725)</u>	<u>26,326,993</u>	<u>75,592,720</u>
Expenses				
Educational and general expenses				
Instruction	18,950,205	-	-	18,950,205
Academic services	3,534,122	-	-	3,534,122
Student services	10,719,964	-	-	10,719,964
Institutional support	<u>10,064,837</u>	<u>-</u>	<u>-</u>	<u>10,064,837</u>
Total education and general expenses	<u>43,269,128</u>	<u>-</u>	<u>-</u>	<u>43,269,128</u>
Auxiliary enterprises expenses	<u>11,618,366</u>	<u>-</u>	<u>-</u>	<u>11,618,366</u>
Other expenses				
Other expenses	15,909	-	-	15,909
Endowment administrative expenses	<u>837,550</u>	<u>-</u>	<u>-</u>	<u>837,550</u>
Total other expenses	<u>853,459</u>	<u>-</u>	<u>-</u>	<u>853,459</u>
Total expenses	<u>55,740,953</u>	<u>-</u>	<u>-</u>	<u>55,740,953</u>
Change in Net Assets Before Items Below	(6,052,501)	(422,725)	26,326,993	19,851,767
Noncontrolling Interest Contribution	150,000	-	-	150,000
Other Postretirement Benefit Related Changes Other Than Net Periodic Benefit Costs	<u>(5,408,428)</u>	<u>-</u>	<u>-</u>	<u>(5,408,428)</u>
Change in Net Assets	(11,310,929)	(422,725)	26,326,993	14,593,339
Net Assets, Beginning of Year	<u>84,722,845</u>	<u>66,775,092</u>	<u>65,537,453</u>	<u>217,035,390</u>
Net Assets, End of Year	<u>\$ 73,411,916</u>	<u>\$ 66,352,367</u>	<u>\$ 91,864,446</u>	<u>\$ 231,628,729</u>

See Notes to Consolidated Financial Statements

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 51,394,174	\$ -	\$ -	\$ 51,394,174
32,994,170	-	-	32,994,170
18,400,004	-	-	18,400,004
1,566,786	597,493	-	2,164,279
1,649,232	2,025,107	1,430,787	5,105,126
18,537,033	-	-	18,537,033
724,198	5,670	-	729,868
11,372,093	7,142,710	-	18,514,803
2,106,309	-	-	2,106,309
-	304,585	(56,582)	248,003
-	-	112,220	112,220
8,630,157	(8,630,157)	-	-
62,985,812	1,445,408	1,486,425	65,917,645
18,632,476	-	-	18,632,476
3,395,176	-	-	3,395,176
10,546,841	-	-	10,546,841
9,846,325	-	-	9,846,325
42,420,818	-	-	42,420,818
15,178,127	-	-	15,178,127
29,461	-	-	29,461
831,750	-	-	831,750
861,211	-	-	861,211
58,460,156	-	-	58,460,156
4,525,656	1,445,408	1,486,425	7,457,489
-	-	-	-
(481,897)	-	-	(481,897)
4,043,759	1,445,408	1,486,425	6,975,592
80,679,086	65,329,684	64,051,028	210,059,798
\$ 84,722,845	\$ 66,775,092	\$ 65,537,453	\$ 217,035,390

Hendrix College

Consolidated Statements of Cash Flows

Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 14,593,339	\$ 6,975,592
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	4,705,720	4,370,200
Net realized and unrealized gains on investments	(8,075,625)	(18,514,803)
Change in value of split-interest agreements	80,823	(248,003)
Change in beneficial interest in perpetual trusts	660	(112,220)
Gifts and bequests restricted for endowment and trusts	(6,617,884)	(1,430,787)
(Gain) loss on disposal of property and equipment	(115)	3,471
Changes in		
Accounts receivable	123,374	(273,541)
Contributions receivable	(19,263,126)	619,120
Notes receivable	148,922	148,650
Other assets	146,922	90,959
Accounts payable and other liabilities	423,364	(609,891)
Annuities and trusts payable	(730,205)	(1,306,131)
Accrued postretirement benefits costs	5,971,239	1,183,763
	<u>(8,492,592)</u>	<u>(9,103,621)</u>
Investing Activities		
Purchase of property and equipment	(1,442,739)	(8,357,027)
Transfers to restricted cash	-	2,361,199
Purchase of investments	(33,468,725)	(20,270,152)
Proceeds from disposition of investments	38,927,304	30,253,892
Net proceeds in real estate development	190,741	1,579,908
	<u>4,206,581</u>	<u>5,567,820</u>
Financing Activities		
Decrease in refundable advances on federal government loans	(38,360)	(42,007)
Repayment of bonds payable	(2,813,971)	(1,480,000)
Proceeds from issuance of bonds	-	3,884,830
Repayment of line of credit	(11,480,376)	(10,058,107)
Proceeds from line of credit	13,475,125	9,500,000
Gifts and bequests restricted for endowment and trusts	6,617,884	1,430,787
Proceeds from annuities and trusts payable	442,819	692,264
	<u>6,203,121</u>	<u>3,927,767</u>
Increase in Cash and Cash Equivalents	1,917,110	391,966
Cash and Cash Equivalents, Beginning of Year	<u>833,619</u>	<u>441,653</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,750,729</u>	<u>\$ 833,619</u>
Supplemental Cash Flows Information		
Interest paid	<u>\$ 2,961,487</u>	<u>\$ 2,856,098</u>

Hendrix College

Notes to Consolidated Financial Statements

May 31, 2015 and 2014

Note 1: Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

Hendrix College (the College) is a private, not-for-profit institution of higher education located in Conway, Arkansas, that was incorporated under the laws of the State of Arkansas in 1903. The Hendrix-Murphy Foundation, Inc. (the Foundation) is a not-for-profit corporation with the sole purpose of benefiting and supporting the College. The Crain-Maling Center of Jewish Culture at Hendrix College is a not-for-profit corporation with the sole purpose of benefiting and support the College, and it is not material to the financial statements of the College.

The Village at Hendrix, LLC (the Village) is a for-profit corporation formed to develop a portion of the College's property adjacent to the campus in Conway, Arkansas. TVH Rowhouses, LLC (Rowhouses) is a for-profit limited liability company formed to develop a residential apartment complex on property located in the Village. The Village shares ownership of Rowhouses with an outside property management firm. The Village is the majority owner of Rowhouses. McKennon Properties, LLC (McKennon) is a for-profit limited liability company formed to develop and construct a commercial and residential real estate project on property located in the Village. The Village is the majority partner of McKennon; and a limited liability company owned by two principals of a construction company is the minority partner. The noncontrolling interest recognized by the College represents the minority partners, and that related activity is not material.

The College offers undergraduate and graduate programs of college- and university-level instruction and awards degrees as authorized by the statutes of the State of Arkansas. The College is accredited by the North Central Accrediting Association. The consolidated financial statements of the College as of May 31, 2015 and 2014, and for the years then ended, have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the College and all subsidiaries noted above in accordance with FASB Accounting Standards Codification (ASC) 958-810. All material transactions between the College and its subsidiaries have been eliminated.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on the change in net assets.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Hendrix College

Notes to Consolidated Financial Statements

May 31, 2015 and 2014

Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2015 and 2014, cash equivalents consisted primarily of money market funds held by brokers.

At May 31, 2015 and 2014, the College's cash accounts exceeded federally insured limits by approximately \$621,138 and \$923,735, respectively.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include funds that have been designated for the purpose of servicing outstanding bonds. Amounts designated as restricted cash and cash equivalents are generally money market deposits.

Investments and Investment Return

Investments other than real estate are carried at fair market value. Real estate investments are valued at cost or, in the case of contributed investments, at fair value at time of donation. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The College maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the College has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the College in perpetuity.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property and equipment, at fair value at the time of the contribution. Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset.

Hendrix College

Notes to Consolidated Financial Statements

May 31, 2015 and 2014

Long-Lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended May 31, 2015 and 2014.

Self-Insurance

The College has elected to self-insure certain costs related to employee health benefit programs. Costs resulting from uninsured losses are expensed when incurred. The College has purchased insurance that limits its exposure for claims of an individual to a \$125,000 annual limit. The College also has purchased insurance that limits its exposure for aggregate claims to an annual limit of approximately \$4.1 million.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions, resulting in reclassification of temporarily restricted net assets as unrestricted net assets, are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year of the pledge are reported at the total value of the pledge. Unconditional gifts expected to be collected in excess of one year are initially reported at fair value, determined using the present value of estimated future cash flows. The resulting discount is amortized into income over future periods. All unconditional gifts recorded in the financial statements as contributions receivable are, in the administration's estimation, collectible. Unconditional pledges that are not expected to be collectible or are in doubt of collection are not recorded in the financial statements.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Hendrix College

Notes to Consolidated Financial Statements

May 31, 2015 and 2014

Grants

Support funded by grants is recognized as the College performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

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

The College has five subsidiary corporations that are included in the consolidated financial statements. One of these subsidiary corporations is exempt from federal income taxes under 501(c)(3), one is exempt under 509(a)(3) and three are subject to taxation. The College and its subsidiary corporations that are exempt from federal income tax are required to pay federal income tax on unrelated business income. The College and its subsidiary corporations did not have any material income tax liabilities and there were no financial reporting requirements for uncertain tax positions for the years ended May 31, 2015 and 2014.

Allocation of Expenses

The costs related to operating the College's physical plant, including depreciation of its assets, are allocated to supporting the various functions based upon the square footage that each occupies within the College's facilities. Interest costs not capitalized as a component of asset costs are allocated to the specific functions for which the related debt was incurred.

Notes Receivable

Notes receivable consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment.

The College provides an allowance for doubtful notes, which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Loans that are delinquent continue to accrue interest until the loans are written off. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student. The amount of the loans delinquent for greater than 90 days but still accruing interest at May 31, 2015 and 2014, was approximately \$311,000 and \$344,000, respectively.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Note 2: Contributions Receivable

Contributions receivable consisted of the following at May 31:

	2015			2014
	Temporarily Restricted	Permanently Restricted	Total	Total
Due within one year	\$ 743,852	\$ 21,172,322	\$ 21,916,174	\$ 1,189,487
Due in one to five years	2,084,944	291,633	2,376,577	2,626,876
Due in more than five years	798,073	210,681	1,008,754	1,333,400
	<u>3,626,869</u>	<u>21,674,636</u>	<u>25,301,505</u>	<u>5,149,763</u>
Less: Allowance and unamortized discount	<u>(580,879)</u>	<u>(961,432)</u>	<u>(1,542,311)</u>	<u>(653,695)</u>
	<u>\$ 3,045,990</u>	<u>\$ 20,713,204</u>	<u>\$ 23,759,194</u>	<u>\$ 4,496,068</u>

In 2015 and 2014, discount rates approximated market rates and ranged from 0.09% to 5.00%.

Note 3: Investments and Investment Return

The investments are structured with both traditional and non-traditional investment strategies for the implementation of the asset allocation. The portfolios are structured across the asset and sub-asset classes to generate performance in excess of relevant benchmarks while realizing substantially lower volatility than the equity markets. The investments at May 31 consisted of the following:

	2015	2014	As of May 31, 2015		
			Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic equities	\$ 95,617,726	\$ 84,220,777	\$ -	Daily-monthly	0–30 days
International equities	21,836,588	33,423,742	-	Daily-monthly	0–30 days
Fixed income	2,070,718	1,293,707	-	Monthly	30 days
Hedge funds (a)	44,994,666	42,164,406	-	Annually	90–100 days
Private real estate (b)	586,392	759,816	353,500	Not Permitted	N/A
Private equity (c)	2,750,919	2,801,313	837,419	Not Permitted	N/A
Real estate and natural resources	9,192,913	9,192,913	-	N/A	N/A
Real estate development	6,939,053	7,264,596	-	N/A	N/A
Money market	3,743,453	4,313,863	-	Daily	0 days
Other	78,576	84,368	-	N/A	N/A
	<u>\$ 187,811,004</u>	<u>\$ 185,519,501</u>	<u>\$ 1,190,919</u>		

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

- (a) This category includes investments in long/short equity positions and absolute return strategies. The absolute return strategies consist of a fund of funds approach that pursues multiple alternatives to diversify risks and reduce volatility. Management has the ability to shift investments among different investment strategies. For one investment valued at \$12,872,203, a three-year lock-up is required by the manager. The current lock-up period will expire December 31, 2015.
- (b) This category includes several real estate funds that invest primarily in U.S. commercial real estate. Redemption of these investments is restricted. Distributions from each fund will be made as the underlying investments of the funds are liquidated. It is estimated the underlying assets of the funds will be liquidated over the next seven to 10 years. Based on the liquidation of the underlying investments, it cannot be currently estimated when those distributions will be made.
- (c) This category includes private equity funds that invest in both the U.S. and globally over many sectors. These are private investments that cannot be redeemed since the investment is distributed as the underlying assets are liquidated, which generally takes five to 10 years. There are currently no plans to sell any of these investments prior to their liquidation, so the assets are carried at net asset value (NAV) as estimated by the manager. Approximately 80% of this category is invested globally over many sectors.

Total investment return is comprised of the following:

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Net realized gains on investments	\$ 3,214,707	\$ 4,083,874	\$ 7,298,581	\$ 6,825,066
Net unrealized gains (losses) on investments	(131,071)	908,115	777,044	11,689,737
Net realized and unrealized gains on investments	3,083,636	4,991,989	8,075,625	18,514,803
Dividend and interest income	1,145,661	1,474,183	2,619,844	2,164,279
	\$ 4,229,297	\$ 6,466,172	\$ 10,695,469	\$ 20,679,082

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Real Estate Development

Investment in real estate development at May 31 consists of:

	2015	2014
Residential construction held for sale	\$ 313,093	\$ 1,609,170
Investment in land held for development or sale	1,130,951	1,363,700
Commercial rental properties	2,850,953	2,791,919
Residential rental properties	1,669,072	1,669,072
Mixed-use rental properties	1,174,552	-
Land and improvements	352,821	248,321
	7,491,442	7,682,182
Less: Accumulated depreciation and amortization	552,389	417,586
	\$ 6,939,053	\$ 7,264,596

Depreciation and amortization on commercial rental properties is computed on a straight-line basis over the estimated useful life of the specific properties.

Note 4: Endowment

The College's endowment consists of approximately 600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College has interpreted the State of Arkansas Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by SPMIFA. The only exception to that application for donor-restricted endowment funds is whereby the donors' stipulations suggest the accumulations in excess of costs are unrestricted and thus have been classified as unrestricted net assets.

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

In accordance with SPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the College and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the College
7. Investment policies of the College

The composition of net assets by type of endowment fund at May 31, 2015 and 2014, was:

	2015			
	Unrestricted	Temporarily Restricted*	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 14,595,690	\$ 61,354,163	\$ 69,658,867	\$ 145,608,720
Board-designated endowment funds	39,932,678	-	-	39,932,678
Total endowment funds	<u>\$ 54,528,368</u>	<u>\$ 61,354,163</u>	<u>\$ 69,658,867</u>	<u>\$ 185,541,398</u>

* \$54,302,999 is restricted for a specific purpose.

	2014			
	Unrestricted	Temporarily Restricted*	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 14,617,818	\$ 60,138,230	\$ 63,346,878	\$ 138,102,926
Board-designated endowment funds	41,554,993	-	-	41,554,993
Total endowment funds	<u>\$ 56,172,811</u>	<u>\$ 60,138,230</u>	<u>\$ 63,346,878</u>	<u>\$ 179,657,919</u>

* \$53,227,928 is restricted for a specific purpose.

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Changes in endowment net assets for the years ended May 31, 2015 and 2014, were:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 56,172,811	\$ 60,138,230	\$ 63,346,878	\$ 179,657,919
Investment return				
Investment income	1,103,715	1,213,279	-	2,316,994
Net appreciation	73,524	7,969,658	-	8,043,182
Total investment return	<u>1,177,239</u>	<u>9,182,937</u>	<u>-</u>	<u>10,360,176</u>
Contributions	667,399	197,098	6,311,989	7,176,486
Appropriation of endowment assets for expenditure	<u>(3,489,081)</u>	<u>(8,164,102)</u>	<u>-</u>	<u>(11,653,183)</u>
Endowment net assets, end of year	<u>\$ 54,528,368</u>	<u>\$ 61,354,163</u>	<u>\$ 69,658,867</u>	<u>\$ 185,541,398</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 55,624,424	\$ 54,978,884	\$ 61,683,029	\$ 172,286,337
Investment return				
Investment income	1,542,119	597,493	-	2,139,612
Net appreciation	1,503,377	12,126,087	-	13,629,464
Total investment return	<u>3,045,496</u>	<u>12,723,580</u>	<u>-</u>	<u>15,769,076</u>
Contributions	927,629	40,600	1,663,849	2,632,078
Appropriation of endowment assets for expenditure	<u>(3,424,738)</u>	<u>(7,604,834)</u>	<u>-</u>	<u>(11,029,572)</u>
Endowment net assets, end of year	<u>\$ 56,172,811</u>	<u>\$ 60,138,230</u>	<u>\$ 63,346,878</u>	<u>\$ 179,657,919</u>

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain pursuant to donor stipulation or SPMIFA. Deficiencies of this nature are reported in unrestricted net assets and aggregated \$58,591 and \$115,522 at May 31, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that were deemed prudent by the governing body.

Hendrix College

Notes to Consolidated Financial Statements

May 31, 2015 and 2014

Endowment Investment Policies

The College has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. To achieve its long-term return objectives, the College relies on a diversified strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The College's diversified asset allocation places greater emphasis on equity-based investments to achieve its long-term objectives with prudent risk and liquidity constraints. The long-term investment objectives of the endowment are to attain an average annual real total return in excess of endowment spending and to outperform comparable industry benchmarks over the long term.

Endowment Spending Policy

The board of trustees of the College approves the appropriation of endowment funds for expenditures. The spending policy is meant to ensure that endowment purchasing power (real value) is maintained over time by keeping the long-term rate of annual spending from the endowment equal to or less than the long term real (inflation adjusted) investment returns of the endowment.

Effective June 1, 2013, the board of trustees adopted a spending policy, which sets the available draw from the endowment at a percentage of the trailing 20-quarters investment balance as of November 30 of each year. An initial draw percentage of 7% was established for the 2014 fiscal year with the intention of re-evaluating the draw each year to set a level that is at-or-below the long-term real investment returns of the endowment. Prior to this change, the endowment spending policy formula utilized a base draw that was increased 3% over the previous year's amount as long as the resulting draw percentage remained within an allowable range of 5–8% of the prior five-year investment balance.

The Foundation appropriates funds to be spent annually by the Foundation from its endowment. The investment objective of this fund is to preserve capital and obtain long-term appreciation through both current income and capital appreciation. In a typical year, the board of the Foundation appropriates an amount of approximately 5% of endowment assets to be spent on programs during the current year.

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Note 5: Property and Equipment

Property and equipment at May 31 consists of:

	2015	2014
Land and improvements	\$ 14,344,465	\$ 14,223,348
Buildings	133,179,572	132,801,623
Furniture and equipment	19,909,716	19,652,020
Library holdings	9,589,915	9,314,361
Construction in progress	555,414	144,875
	177,579,082	176,136,227
Less: Accumulated depreciation and amortization	60,769,001	56,198,082
	\$ 116,810,081	\$ 119,938,145

Note 6: Bonds Payable

Capital Improvement Revenue Bonds

Series	% Rate	Due Annually in Varying Amounts Through	2015	2014
Series 2008A	3.3–5.0%	October 2028	\$ 3,615,000	\$ 3,805,000
Series 2008B	3.3–5.2%	October 2038	12,600,000	12,995,000
Series 2012A	1.0–3.5%	October 2026	8,780,000	9,395,000
Series 2012B	1.0–4.2%	October 2043	34,635,000	34,955,000
Series 2012C	3.25%	December 2023	6,811,029	8,105,000
			\$ 66,441,029	\$ 69,255,000

Student tuition, fees and dormitory rental revenues are pledged as security for the repayment of the bonds. The pledged revenues in each fiscal year cannot be less than 125% of the maximum annual debt service on all outstanding bonds in any fiscal year thereafter. As of May 31, 2015 and 2014, the College believes it is in compliance with its debt covenants.

The Series 2008B Bonds are subject to special extraordinary redemption on October 1 each year from monies received by the College from a capital campaign conducted for the express purpose of raising funds to finance the costs of the Student Life and Technology Center Project.

Hendrix College
Notes to Consolidated Financial Statements
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The Series 2012C Bonds bear interest at 3.25% and require quarterly payments of interest only on the outstanding principal balance. Beginning on March 31, 2014, the then-outstanding principal balance of the Series 2012C Bonds will be amortized over a 25-year period; quarterly payments of principal and interest shall commence on June 30, 2014, and shall end with a balloon payment of the remaining outstanding principal balance together with any unpaid accrued interest due thereon on December 31, 2023.

Debt service requirements of bonds outstanding at May 31, 2015, are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,781,011	\$ 2,593,162	\$ 4,374,173
2017	1,823,281	2,543,339	4,366,620
2018	1,875,792	2,491,120	4,366,912
2019	1,933,549	2,431,316	4,364,865
2020	2,001,561	2,363,356	4,364,917
Thereafter	<u>57,025,835</u>	<u>28,310,540</u>	<u>85,336,375</u>
	<u>\$ 66,441,029</u>	<u>\$ 40,732,833</u>	<u>\$ 107,173,862</u>

Note 7: Notes Payable

	<u>2015</u>	<u>2014</u>
Line of credit, borrowings up to \$15,000,000, due May 2017, interest payable monthly at 30-day LIBOR plus 2.25%, secured by certain investments	\$ 6,002,873	\$ 5,002,874
Non-recourse loan, due July 2017, interest at 4.5%, secured by certain real estate in The Village at Hendrix, LLC	1,629,616	1,659,993
Non-recourse loan, due August 2021, interest at 4.0%, secured by certain real estate in The Village at Hendrix, LLC	<u>1,025,126</u>	<u>\$ -</u>
	<u>\$ 8,657,615</u>	<u>\$ 6,662,867</u>

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Note 8: Annuities and Trusts Payable

The College administers gift annuities and various charitable remainder trusts. Gift annuities require future payments to the donors or their named beneficiaries. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the College's use. The present value of estimated future payments for gift annuities and charitable remainder trusts has been determined using discount rates of 0.06% to 6.80% and applicable mortality tables.

Amounts included in the statements of financial position as of May 31 are:

	2015			2014
	Charitable Gift Annuities	Charitable Remainder Trusts	Total	Total
Investments	\$ 4,309,049	\$ 1,361,929	\$ 5,670,978	\$ 5,958,363
Annuities and trusts payable	<u>(3,090,430)</u>	<u>(998,035)</u>	<u>(4,088,465)</u>	<u>(4,295,028)</u>
	<u>\$ 1,218,619</u>	<u>\$ 363,894</u>	<u>\$ 1,582,513</u>	<u>\$ 1,663,335</u>

Note 9: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at May 31 are available for the following purposes or periods:

	2015	2014
Instruction	\$ 38,278,352	\$ 37,841,623
Scholarships	16,288,401	16,025,936
Future operating expenses	<u>11,785,614</u>	<u>12,907,533</u>
	<u>\$ 66,352,367</u>	<u>\$ 66,775,092</u>

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Permanently Restricted Net Assets

Permanently restricted net assets at May 31 are restricted to:

	<u>2015</u>	<u>2014</u>
Investment in perpetuity, the income of which is expendable to support		
Instruction	\$ 26,926,589	\$ 26,795,450
Scholarships	56,673,489	30,475,245
Operating expenses	<u>8,264,368</u>	<u>8,266,758</u>
	<u>\$ 91,864,446</u>	<u>\$ 65,537,453</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended May 31.

	<u>2015</u>	<u>2014</u>
Purpose restrictions accomplished		
Instruction	\$ 1,595,757	\$ 2,146,860
Scholarships	2,838,210	2,775,618
Operating expenses	<u>2,012,289</u>	<u>1,640,568</u>
	6,446,256	6,563,046
Time restrictions expired		
Passage of specified time	<u>1,501,321</u>	<u>2,067,111</u>
	<u>\$ 7,947,577</u>	<u>\$ 8,630,157</u>

Designation of Unrestricted Net Assets

At May 31, 2015 and 2014, the administration had designated \$1,061,844 and \$1,009,263, respectively, for the Federal Perkins Loan Program. These funds shall remain designated as long as the College participates in the Federal Perkins Loan Program.

At May 31, 2015 and 2014, the administration of the College had designated approximately \$9.5 million and \$11.2 million, respectively, of the pooled endowment investment portfolio to support future debt service payments.

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Note 10: Pension and Postretirement Health Benefit Plans

The College has a defined contribution pension plan established under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees. The College contributes 2–8.5% of the employee’s base salary based on the years of service and the employee’s contribution. The College contributed approximately \$1,299,000 and \$1,263,000 for the years ended May 31, 2015 and 2014, respectively.

The College has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. The College funds the plan as claims are paid; however, the cost of providing postretirement health coverage is accrued during the years that the employees render services.

The College uses a May 31 measurement date for the plan.

Funded status as of May 31:

	<u>2015</u>	<u>2014</u>
Benefit obligation	\$ (24,151,158)	\$ (16,271,608)
Present value of expected retiree contributions	4,649,839	2,741,528
	<u>(19,501,319)</u>	<u>(13,530,080)</u>
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (19,501,319)</u>	<u>\$ (13,530,080)</u>
Net amount recognized in the statement of financial position	<u>\$ 19,501,319</u>	<u>\$ 13,530,080</u>

Amounts recognized in net assets not yet recognized as components of net periodic benefit cost as of May 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Net loss	\$ 6,711,499	\$ 1,639,780
Prior service credit	<u>(2,606,177)</u>	<u>(2,942,886)</u>
Total unrecognized items	<u>\$ 4,105,322</u>	<u>\$ (1,303,106)</u>

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Other significant balances and costs are:

	<u>2015</u>	<u>2014</u>
Benefit costs	\$ 1,061,941	\$ 1,199,697
Medipak and other premiums paid	\$ 406,521	\$ 370,396
Benefits paid for retirees	\$ 92,609	\$ 127,435

The following amounts have been recognized in the statements of activities for the years ended May 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Amounts arising during the period		
Net loss	\$ (5,097,789)	\$ (168,821)
Amounts reclassified as components of net periodic benefit cost of the period		
Net loss	26,070	23,633
Prior service credit	<u>(336,709)</u>	<u>(336,709)</u>
Total recognized items	<u>\$ (5,408,428)</u>	<u>\$ (481,897)</u>

Weighted-average assumptions used to determine benefit costs and obligations are based on a discount rate of 4.00% and 5.20% for the years ended May 31, 2015 and 2014, respectively.

For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2015 and 2014. The rate was assumed to decrease gradually to 5.0% by the year 2020 and remain at that level thereafter.

The benefits expected to be paid in each year from 2016–2020 are \$708,000, \$751,000, \$787,000, \$854,000 and \$907,000, respectively. The aggregate benefits expected to be paid in the five years from 2020–2024 are \$5,362,000. The expected benefits to be paid are based on the same assumptions used to measure the College’s benefit obligation at May 31.

The plan was amended during the year ended May 31, 2012, and includes the following amendments: 1) effective August 2, 2012, new employees hired are not eligible to participate in the postretirement health care benefit plan; 2) effective August 1, 2012, changed from a self-insured to a fully insured Medicare retiree prescription drug program; and 3) effective August 1, 2012, implemented a 10% premium sharing for current Medicare retirees (and those to retire prior to September 1, 2013) and a 25% premium sharing for those who retire after September 1, 2013.

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Note 11: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2015 and 2014:

	Fair Value as of May 31, 2015			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 3,743,453	\$ 3,743,453	\$ -	\$ -
Domestic equities	95,617,726	91,358,652	-	4,259,074
International equities	21,836,588	14,512,990	-	7,323,598
Fixed income	2,070,718	2,070,718	-	-
Hedge funds	44,994,666	-	-	44,994,666
Private real estate	586,392	-	-	586,392
Private equity	2,750,919	-	-	2,750,919
Municipal bonds	66,326	-	66,326	-
Investments	<u>171,666,788</u>	<u>111,685,813</u>	<u>66,326</u>	<u>59,914,649</u>
Beneficial interest in perpetual trust	<u>1,394,470</u>	<u>-</u>	<u>-</u>	<u>1,394,470</u>
Total	<u>\$ 173,061,258</u>	<u>\$ 111,685,813</u>	<u>\$ 66,326</u>	<u>\$ 61,309,119</u>

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

	Fair Value as of May 31, 2014			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 4,313,863	\$ 4,313,863	\$ -	\$ -
Domestic equities	84,220,777	80,289,753	-	3,931,024
International equities	33,423,742	26,493,568	-	6,930,174
Fixed income	1,293,707	1,293,707	-	-
Hedge funds	42,164,406	-	-	42,164,406
Private real estate	759,816	-	-	759,816
Private equity	2,801,313	-	-	2,801,313
Municipal bonds	72,118	-	72,118	-
Investments	<u>169,049,742</u>	<u>112,390,891</u>	<u>72,118</u>	<u>56,586,733</u>
Beneficial interest in perpetual trust	<u>1,395,130</u>	<u>-</u>	<u>-</u>	<u>1,395,130</u>
Total	<u>\$ 170,444,872</u>	<u>\$ 112,390,891</u>	<u>\$ 72,118</u>	<u>\$ 57,981,863</u>

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended May 31, 2015. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The net asset value per share was used as a practical expedient for measuring fair value of Level 3 securities.

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the College expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which the College does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

Hendrix College

Notes to Consolidated Financial Statements

May 31, 2015 and 2014

Fair value determinations for Level 3 measurements of securities are the responsibility of the Office of Business and Finance. The College obtains fair value estimates on a monthly or quarterly basis from an investment manager. The Office of Business and Fiscal Affairs challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Beneficial Interest in Perpetual Trust

Fair value is estimated at quoted market prices for identical assets or the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

The College and the Foundation own interests in alternative investment funds rather than in the securities underlying each fund. Certain of these investments are shown as domestic equities, international equities and fixed income, and are reported as Level 3 measurements. It is generally required to consider such investments as Level 2 or 3, even though the underlying securities may not be difficult to value or may be readily marketable. Because net asset value is used as a practical expedient to estimate fair value, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on the College's and Foundation's ability to redeem all or a portion of the interest in each fund at or near the date of the consolidated statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

The following tables present a reconciliation of Level 3 financial instruments measured at fair value on a recurring basis for the years ended May 31, 2015 and 2014:

	June 1, 2014	Net Realized and Unrealized Gains	Purchases	Sales	May 31, 2015
Domestic equities	\$ 3,931,024	\$ 328,050	\$ -	\$ -	\$ 4,259,074
International equities	6,930,174	393,424	-	-	7,323,598
Alternative investments	45,725,535	3,077,737	408,788	(880,083)	48,331,977
Beneficial interest in perpetual trust	1,395,130	(660)	-	-	1,394,470
	<u>\$ 57,981,863</u>	<u>\$ 3,798,551</u>	<u>\$ 408,788</u>	<u>\$ (880,083)</u>	<u>\$ 61,309,119</u>

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

	June 1, 2013	Net Realized and Unrealized Gains	Purchases	Sales	May 31, 2014
Domestic equities	\$ 3,280,396	\$ 650,628	\$ -	\$ -	\$ 3,931,024
International equities	6,103,412	826,762	-	-	6,930,174
Alternative investments	45,879,333	3,885,561	1,664,532	(5,703,891)	45,725,535
Beneficial interest in perpetual trust	1,282,910	112,220	-	-	1,395,130
	<u>\$ 56,546,051</u>	<u>\$ 5,475,171</u>	<u>\$ 1,664,532</u>	<u>\$ (5,703,891)</u>	<u>\$ 57,981,863</u>

The change in net unrealized gains related to Level 3 assets still held at May 31, 2015 and 2014, was approximately \$3,725,607 and \$4,159,364, respectively.

Total realized and unrealized gains and losses recorded for Level 3 investments, if any, are reported in net realized and unrealized losses, respectively, in the consolidated statements of activities.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated statements of financial position at other than fair value:

Cash and Cash Equivalents

The carrying amount approximates fair value.

Contributions and Notes Receivable

The carrying amount is a reasonable estimate of fair value.

Annuities and Trusts Payable

Fair values of the annuity and trust obligations are based on an actuarial evaluation of the estimated annuity or other payments under such obligations. The carrying amount approximates fair value.

Line of Credit

The interest rate on the revolving line of credit agreement is adjusted for changes in market rates and, therefore, the carrying value approximates the fair value.

Bonds Payable

Fair value is estimated based on the borrowing rates currently available to the College for debt with similar terms and maturities. Estimated fair value for May 31, 2015 and May 31, 2014, is \$61,040,368 and \$62,8473,478, respectively.

Hendrix College
Notes to Consolidated Financial Statements
May 31, 2015 and 2014

Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Postretirement Health Benefit Plan

As described in *Note 10*, the amount of annual expense accrued for postretirement health benefits is based on an estimate of the present value of total amounts payable under the plan over the lifetimes of the beneficiaries. The recorded obligation is subject to change based on changes in discount rates and estimates of health care cost inflation.

Litigation

The College is subject to various legal proceedings and claims that arise in the ordinary course of its business. In the opinion of the administration of the College, the ultimate exposure is immaterial.

Contributions Receivable

Approximately 85% of the net contributions receivable at May 31, 2015 is from one donor.

Note 13: Related Party Transactions

The College has had, in the ordinary course of business, business transactions with certain of its officers, trustees and their related and affiliated parties (related parties). All transactions with such related parties have been in the ordinary course of business and on substantially the same terms as those prevailing for comparable transactions with other businesses. The aggregate amount of these transactions is minimal and immaterial to the financial statements for the years ended May 31, 2015 and 2014.

During 2013, the College made a loan to an executive of the Village. The loan is secured by a second mortgage on real estate. As of May 31, 2015 and 2014, the outstanding balance was approximately \$77,048 and \$78,788, respectively. The loan has an interest rate of 3% and matures on May 1, 2018.

Additionally, the Village is guarantor of the first mortgage given by this executive to a third-party financial institution and secured by the same real estate, according to terms of his employment contract. As of May 31, 2015 and 2014, the outstanding balance of this loan was approximately \$298,470 and \$304,262, respectively.

Note 14: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

APPENDIX "C"

**UNAUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING MAY 31, 2016**

Hendrix College
Consolidated Statements of Financial Position
May 31, 2016 (Unaudited) and 2015

Assets

	2016	2015
	(Unaudited)	
Cash and cash equivalents	\$ 1,887,693	\$ 2,750,729
Accounts receivable, net of allowance; 2016 – \$528,825; 2015 – \$441,257	1,072,967	894,154
Contributions receivable, net of allowance and discount; 2016 – \$362,254; 2015 – \$1,542,311	11,526,360	23,759,194
Notes receivable, net of allowance; 2016 and 2015 – \$158,718	1,239,007	1,329,413
Investments	189,342,678	187,811,004
Beneficial interest in perpetual trusts	1,285,689	1,394,470
Property and equipment, net	113,218,663	116,810,081
Other assets	<u>3,613,648</u>	<u>3,861,367</u>
Total assets	<u>\$ 323,186,705</u>	<u>\$ 338,610,412</u>

Liabilities and Net Assets

Liabilities

Accounts payable and other liabilities	\$ 7,654,321	\$ 8,293,254
Annuities and trusts payable	3,793,784	4,088,465
Accrued postretirement benefit costs	18,843,022	19,501,319
Notes payable	9,934,593	8,657,616
Bonds payable	<u>64,355,018</u>	<u>66,441,029</u>
Total liabilities	<u>104,580,738</u>	<u>106,981,683</u>

Net Assets

Unrestricted	62,983,669	73,188,092
Unrestricted, noncontrolling interest	<u>207,852</u>	<u>223,824</u>
Total unrestricted	63,191,521	73,411,916
Temporarily restricted	63,250,908	66,352,367
Permanently restricted	<u>92,163,538</u>	<u>91,864,446</u>
Total net assets	<u>218,605,967</u>	<u>231,628,729</u>
Total liabilities and net assets	<u>\$ 323,186,705</u>	<u>\$ 338,610,412</u>

Hendrix College
Consolidated Statements of Financial Position
May 31, 2016 (Unaudited) and 2015

	2016 (Unaudited)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Tuition and fees	\$ 51,861,423	\$ -	\$ -	\$ 51,861,423
Less scholarships and financial aid	33,994,633	-	-	33,994,633
Net tuition and fees	17,866,790	-	-	17,866,790
Investment income	606,110	2,155,154	-	2,761,264
Private gifts	1,749,274	6,782,394	408,347	8,940,015
Sales and services of auxiliary enterprises	14,096,816	-	-	14,096,816
Other revenues	393,006	4,450	-	397,456
Net realized and unrealized gains	(1,361,361)	(5,268,097)	-	(6,629,458)
Grants and contracts	1,788,068	-	-	1,788,068
Change in value of split interest agreements	-	(443,712)	(474)	(444,186)
Change in beneficial interest in perpetual trusts	-	-	(108,781)	(108,781)
Net assets released from restrictions	6,331,648	(6,331,648)	-	-
Total revenues, gains and other support	41,470,351	(3,101,459)	299,092	38,667,984
Expenses				
Educational and general expenses				
Instruction	18,313,511	-	-	18,313,511
Academic services	3,555,777	-	-	3,555,777
Student services	10,461,194	-	-	10,461,194
Institutional support	10,430,805	-	-	10,430,805
Total education and general expenses	42,761,287	-	-	42,761,287
Auxiliary enterprises expenses	9,947,940	-	-	9,947,940
Other expenses				
Other expenses	34,558	-	-	34,558
Endowment administrative expenses	867,924	-	-	867,924
Total other expenses	902,482	-	-	902,482
Total expenses	53,611,709	-	-	53,611,709
Change in Net Assets Before Items Below	(12,141,358)	(3,101,459)	299,092	(14,943,725)
Noncontrolling Interest Contribution	316	-	-	316
Other Postretirement Benefit Related Changes Other Than Net Periodic Benefit Costs	1,920,647	-	-	1,920,647
Change in Net Assets	(10,220,395)	(3,101,459)	299,092	(13,022,762)
Net Assets, Beginning of Year	73,411,916	66,352,367	91,864,446	231,628,729
Net Assets, End of Year	\$ 63,191,521	\$ 63,250,908	\$ 92,163,538	\$ 218,605,967

Hendrix College
Consolidated Statements of Activities
Years Ended May 31, 2016 (Unaudited) and 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Tuition and fees	\$ 50,109,159	\$ -	\$ -	\$ 50,109,159
Less scholarships and financial aid	32,225,493	-	-	32,225,493
Net tuition and fees	17,883,666	-	-	17,883,666
Investment income	1,145,661	1,474,183	-	2,619,844
Private gifts	1,947,000	1,133,507	26,329,804	29,410,311
Sales and services of auxiliary enterprises	14,857,973	-	-	14,857,973
Other revenues	919,919	3,845	-	923,764
Net realized and unrealized gains	3,083,636	4,991,989	-	8,075,625
Grants and contracts	1,903,020	-	-	1,903,020
Change in value of split interest agreements	-	(78,672)	(2,151)	(80,823)
Change in beneficial interest in perpetual trusts	-	-	(660)	(660)
Net assets released from restrictions	7,947,577	(7,947,577)	-	-
Total revenues, gains and other support	49,688,452	(422,725)	26,326,993	75,592,720
Expenses				
Educational and general expenses				
Instruction	18,950,205	-	-	18,950,205
Academic services	3,534,122	-	-	3,534,122
Student services	10,719,964	-	-	10,719,964
Institutional support	10,064,837	-	-	10,064,837
Total education and general expenses	43,269,128	-	-	43,269,128
Auxiliary enterprises expenses	11,618,366	-	-	11,618,366
Other expenses				
Other expenses	15,909	-	-	15,909
Endowment administrative expenses	837,550	-	-	837,550
Total other expenses	853,459	-	-	853,459
Total expenses	55,740,953	-	-	55,740,953
Change in Net Assets Before Items Below	(6,052,501)	(422,725)	26,326,993	19,851,767
Noncontrolling Interest Contribution	150,000	-	-	150,000
Other Postretirement Benefit Related Changes Other Than Net Periodic Benefit Costs	(5,408,428)	-	-	(5,408,428)
Change in Net Assets	(11,310,929)	(422,725)	26,326,993	14,593,339
Net Assets, Beginning of Year	84,722,845	66,775,092	65,537,453	217,035,390
Net Assets, End of Year	\$ 73,411,916	\$ 66,352,367	\$ 91,864,446	\$ 231,628,729

APPENDIX “D”

FORM OF OPINION OF BOND COUNSEL

Bank of the Ozarks
17901 Chenal Parkway
Little Rock, Arkansas 72231

Arkansas Development Finance Authority
900 West Capitol Avenue, Suite 310
Little Rock, Arkansas 72201

Hendrix College
1600 Washington Avenue
Conway, Arkansas 72032

Re: \$22,330,000 Arkansas Development Finance Authority Revenue Refunding Bonds (Hendrix College Project), Series 2016 (the “Series 2016 Bonds”)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Arkansas Development Finance Authority (the “Issuer”) of the Series 2016 Bonds. We have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Series 2016 Bonds are being issued pursuant to a resolution adopted by the Issuer on August 18, 2016 (the “Resolution”), and a Trust Indenture dated as of September 1, 2016 (the “Indenture”), between the Issuer and Bank of the Ozarks, as Trustee (the “Trustee”).

The Series 2016 Bonds are being issued to (i) advance refund the Public Facilities Board of the City of Conway, Arkansas Capital Improvement Revenue Bonds (Hendrix College Projects), Series 2008A (the “Series 2008A Bonds”); (ii) advance refund the Public Facilities Board of the City of Conway, Arkansas Capital Improvement Revenue Bonds (Hendrix College Student Life and Technology Center Project), Series 2008B (the “Series 2008B Bonds,” and together with the Series 2008A Bonds, the “Series 2008 Bonds”); (iii) currently refund the Issuer’s Capital Improvement Revenue Bonds (Hendrix College Athletic Facilities Project), Series 2012C (the “Series 2012C Bonds”); and (iv) pay the costs of issuance of the Series 2016 Bonds.

Pursuant to the terms and provisions of a Loan Agreement and Security Agreement dated as of September 1, 2016 (the “Loan Agreement”), between the Issuer and the Borrower, the Issuer will loan the proceeds of the Series 2016 Bonds to the Borrower. Pursuant to the Agreement, the Borrower has granted a security interest to the Issuer in all student tuition, fees, and dormitory rentals received by the Borrower in connection with the operation of the College (the “Pledged Revenues”).

The Series 2016 Bonds are issued on a parity of security with \$10,000,000 aggregate principal amount of Arkansas Development Finance Authority Capital Improvement Revenue Refunding Bonds (Hendrix College Projects), Series 2012A, dated August 1, 2012, and \$35,270,000 aggregate principal amount of Arkansas Development Finance Authority Capital Improvement and Refunding Revenue Bonds (Hendrix College Projects), Series 2012B, dated August 1, 2012 (together, the “Parity Bonds”). As provided in the Indenture, bonds of other series ranking on a parity of security with the Series 2016 Bonds and the Parity Bonds may be issued upon satisfaction of certain conditions set forth in the Indenture of Trust dated as of August 1, 2012, (the “Prior Indenture”) and the Indenture.

Reference may be made to the Indenture and the Loan Agreement for a detailed statement of the terms and conditions thereof and of the rights and obligations of the parties thereto. Reference is hereby made to the Indenture for the provisions, among others, with respect to the nature and extent of the security for the Series 2016 Bonds and

the terms upon which the Series 2016 Bonds are issued.

Reference is made to an opinion of even date herewith of Ellis Arnold, in-house General Counsel to the Borrower, a copy of which is on file with the Trustee, with respect, among other matters, to the status, good standing and qualification to do business of the Borrower, the power of the Borrower to enter into and perform the Loan Agreement, the due authorization, execution and delivery of the Loan Agreement by the Borrower, and with respect to the Loan Agreement being enforceable upon the Borrower.

As to any questions of fact material to our opinion, we have relied upon representations of the Issuer and the Borrower contained in the Indenture and the Loan Agreement, respectively, the certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Borrower (including, but not limited to, certifications and covenants of the Borrower with respect to the use of proceeds of the Series 2016 Bonds, without undertaking to verify the same by independent investigation.

Based upon the foregoing, it is our opinion, under existing law, that:

1. The Issuer is duly created and validly existing as a body corporate and politic and public instrumentality of the State of Arkansas and has the power to enter into and perform the Indenture and the Loan Agreement and to issue the Series 2016 Bonds.

2. The Resolution has been duly adopted by the Issuer and is in full force and effect.

3. The Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Issuer and are valid and binding obligations of the Issuer enforceable in accordance with their terms. Pursuant to the Indenture, all right, title and interest of the Issuer in the Pledged Revenues and other amounts received by it from or in connection with the Loan Agreement (except certain rights to indemnification and reimbursement) have been duly and legally assigned and pledged by the Issuer to the Trustee as security for the Series 2016 Bonds and the Parity Bonds.

4. The Series 2016 Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the Pledged Revenues.

5. The Series 2016 Bonds are limited obligations of the Issuer. Neither the State of Arkansas, nor any other political subdivision or agency of the State of Arkansas shall be obligated to pay the Series 2016 Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State of Arkansas, or any political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Series 2016 Bonds. The Issuer has no taxing power.

6. The interest on the Series 2016 Bonds is excluded from gross income of the bondholders for federal income tax purposes, except that the Borrower or another person, by taking action after the date hereof that causes the \$150,000,000 limitation set forth in Section 145(b) of the Internal Revenue Code of 1986, as amended (the "Code"), to be exceeded may cause interest on the Series 2016 Bonds to become included in gross income retroactive to the date hereof. Moreover, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although it should be noted that, in the case of corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. In addition to the exception stated therein, the opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that the interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2016 Bonds to be included in gross income retroactive to the date of issuance of the Series 2016 Bonds. The Issuer and the Borrower have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2016 Bonds.

7. The Series 2016 Bonds and the interest thereon are exempt from all state, county and municipal taxes in the State of Arkansas.

It is to be understood that the rights of the owners of the Series 2016 Bonds and the enforceability of the Series 2016 Bonds, the Indenture, the Loan Agreement and the other instruments enumerated above may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

WRIGHT, LINDSEY & JENNINGS LLP

EXHIBIT "E"

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated September 1, 2016 (the "Disclosure Agreement"), is executed and delivered by Hendrix College (the "Borrower"), and Bank of the Ozarks, Little Rock, Arkansas (the "Trustee"), and acknowledged by the Arkansas Development Finance Authority (referred to herein as "ADFA" or the "Authority") in connection with the issuance of those certain Revenue Refunding Bonds (Hendrix College Project), Series 2016 (the "Series 2016 Bonds"), by the Issuer. The Series 2016 Bonds are being issued pursuant to an authorizing resolution of the Authority and that certain Trust Indenture by and between the Authority and the Trustee, dated as of September 1, 2016 (the "Indenture"). The proceeds of the Series 2016 Bonds are being loaned by ADFA to the Borrower pursuant to a Loan Agreement and Security Agreement dated as of September 1, 2016 (the "Loan Agreement"), between ADFA and the Borrower. The Borrower and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower and the Trustee for the benefit of the Beneficial Owners of the Series 2016 Bonds and in order to assist the Underwriters (as defined below) in complying with, and constitutes the written undertaking for the benefit of the Beneficial Owner of the Series 2016 Bonds required by subsection (i) of the Rule (as defined below).. The Borrower and the Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Beneficial Owner, with respect to the Rule. Notwithstanding any other provision of this Agreement, it is the intentions of the Authority, the Underwriters, the Borrower and the Trustee that the Rule controls the obligations of the parties with respect to the matters addressed herein. In the event of any conflict between the Rule and this Disclosure Agreement, this Disclosure Agreement shall be interpreted and/or modified, as appropriate, so that it complies with and is consistent with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" of a Series 2016 Bond shall mean any person who, directly or indirectly, through any contact, arrangement, understanding, relationship or otherwise has or shares (i) voting power which includes the power to vote, or to direct the voting of, a Series 2016 Bond and/or (ii) investment power which includes the power to dispose, or to direct the disposition of a Series 2016 Bond.

"Disclosure Representative" shall mean the President of the Borrower, or his or her designee, or such other officer or employee as the Borrower shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Final Official Statement" means a document or set of documents prepared by an issuer of municipal securities or its representatives setting forth, among other matters, information concerning the issuer of such municipal securities and the proposed issue of securities that is complete as of the date of delivery of the document or set of documents to the Participating Underwriters.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Participating Underwriters" shall mean Stephens Inc. and Crews & Associates, Inc.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Report.

(a) The Borrower shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the Borrower's fiscal year, commencing with the year ended May 31, 2017, provide the MSRB, through its continuing disclosure service portal through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted not more than thirty (30) days after receipt thereof by the Borrower. If the Borrower's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than five (5) business days prior to the date specified in subsections (a) for providing the Annual Report to the MSRB, the Borrower shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Disclosure Representative and the Dissemination Agent, if other than the Trustee, to determine if the Disclosure Representative is in compliance with the first sentence of this subsection 3(b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection 3(a), the Trustee shall file a notice with the MSRB substantially in the form of Exhibit "A" attached hereto.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Information of the type set forth in the Official Statement dated August 24, 2016, describing the Series 2016 Bonds;

(b) A table setting forth the number of applications for enrollment received for the prior fiscal year, the number of applicants admitted, the applicant-admit ratio, the number of admits actually enrolled, and the first year retention rate; and;

(c) The annual audit of the Borrower prepared in accordance with generally accepted accounting principles for educational entities, which financial statements shall have been audited by a firm of independent certified public accountants.

Any or all of the items above may be incorporated by specific reference to other documents, including official statements of debt issues with respect to which the Borrower is an "obligated person" (as defined in the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so incorporated by reference and certify that the submitted documents comply with the requirements of this Disclosure Agreement. The Dissemination

Agent shall not be responsible in any manner for the content of any notice or Annual Report prepared or delivered by Borrower pursuant to this Disclosure Agreement and shall have no duty or obligation to review any such notice or Annual Report.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to , tax-exempt status of the Series 2016 Bonds or other material events affecting the tax status of the Series 2016 Bonds;
7. modification to rights of Beneficial Owners, if material;
8. series 2016 Bond calls (excluding mandatory sinking fund redemption, if any), if material;
9. defeasances and tender offers;
10. release, substitution, or sale of property securing repayment of the Series 2016 Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Borrower;
13. merger, consolidation, or acquisition of the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) If a Listed Event occurs while any Series 2016 Bonds are Outstanding, the Borrower shall provide, or shall cause to be provided by the Trustee, a Listed Event Notice (the "Listed Event Notice"), in a timely manner not in excess of 10 business days after the occurrence of such Listed Event, to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.org> or any other similar system that is acceptable to the Securities and Exchange Commission. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(c) Upon occurrence of a Listed Event, the Borrower agrees to report such occurrence to the Trustee in a timely manner not in excess of two (2) business days. The Borrower shall in a timely manner determine if such event must be filed and, if filing is required, file the Listed Event Notice in the time required by Section 5(b).

(d) The Trustee shall promptly advise the Borrower and the Authority whenever, in the course of performing its duties as Trustee hereunder, the Trustee identifies an occurrence which may require the Borrower to provide a Listed Event Notice; provided that, the failure of the Trustee so to advise the Authority or the Borrower shall not constitute a breach by the Trustee of any of its duties and responsibilities hereunder.

(e) If the Trustee has been instructed by the Authority or the Borrower to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the MSRB through EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (viii) and (ix) of the definition of “Listed Event” in Section 5(a) of this Agreement need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the Indenture.

(f) Notwithstanding the above, the Trustee shall file a notice in accordance with subsection (d) above of Listed Events described in subsections (viii) and (ix) of the definition of “Listed Event” in Section 5(a) of this Agreement without direction from the Authority or the Borrower and without a determination by the Authority as to whether such event must be filed pursuant to applicable federal securities laws.

SECTION 6. Termination of Reporting Obligation. The Borrower’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Series 2016 Bonds. If such termination occurs prior to the final maturity of the Series 2016 Bonds, the Borrower shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agents. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Borrower), and any provisions of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made 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 an “obligated person” with respect to the Series 2016 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2016 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2016 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2016 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented with respect to the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible,

in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this 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 this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default.

(a) In the event of a failure of the Borrower to comply with any provision of this Agreement, the Trustee may (and, at the request of the Beneficial Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borrower, as applicable, to comply with its obligations under this Agreement. In the event of a failure of the Trustee to comply with any provision of this Agreement, the Borrower or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Trustee to comply with its obligations under this Disclosure Agreement.

(b) Notwithstanding the provisions of Subsection 9(a), no Beneficial Owner shall have any right to take any action to challenge the adequacy of the information provided in accordance with this Disclosure Agreement unless the Beneficial Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee to take such action in its own name and shall have offered the Trustee reasonable indemnity, and the Trustee for 60 days after its receipt of notice, request, and offer of indemnity has failed to institute any such action.

(c) A default under this Agreement shall not be deemed an Event of Default under the Trust Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance, and the Borrower and its members, officers, directors, commissioners and employees shall incur no liability under this Disclosure Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this Disclosure Agreement shall entitle any person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement and no further duties or responsibilities shall be implied. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent information has been provided to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any Annual Report, notice of Listed Events or any other information, disclosures or notices provided to it and shall not be deemed to be acting in any fiduciary capacity for the Authority or the Borrower, the Beneficial Owners or any other party. The Dissemination Agent shall have no responsibility for the failure to report a Listed Event that was not reported to the Dissemination Agent. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether there has been compliance with this Agreement. The Dissemination Agent may conclusively rely upon certifications it receives at all times.

The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Borrower, agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against

any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct or failure to discharge its duties hereunder in a timely manner. The obligations of the Authority and the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent shall not have any liability to any party in connection with any failure to timely file any such information or report with the MSRB through EMMA if such information or report is not timely received by the Dissemination Agent from the Authority or the Borrower, as applicable, nor shall the Dissemination Agent have any liability to any party for any failure of the MSRB or its EMMA system to timely post or register filing of any such report if the Dissemination Agent has timely submitted such report for filing with the MSRB. The Borrower acknowledges that it, and not the Dissemination Agent, is solely responsible for the accuracy, completeness and timeliness of any information or report provided to the Dissemination Agent.

The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and the Dissemination Agent shall in no event incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Borrower.

The Borrower shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered under this Agreement in accordance with the Dissemination Agent's fee schedule in effect from time to time.

Notwithstanding any other provision of this Disclosure Agreement, the Dissemination Agent shall to the extent the Borrower has made information available to the Dissemination Agent in a timely manner, discharge its duties hereunder in a timely manner.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower: Hendrix College
1600 Washington Avenue
Conway, Arkansas 72032
Attention: President
Telecopier: (501) 450-3821

To ADFA: Arkansas Development Finance Authority
900 West Capitol Avenue, Suite 310
Little Rock, Arkansas 72201
Attention: Vice President for Finance and Administration
Telecopier: (501) 628-5939

To the Trustee: Bank of the Ozarks
17901 Chenal Parkway
Little Rock, Arkansas 72201
Attention: Corporate Trust Department
Telecopier: (501) 978-2218

With copy of any notice to: Wright, Lindsey & Jennings LLP
200 West Capitol Avenue, Suite 2300
Little Rock, Arkansas 72201
Attention: John William Spivey III
Telecopier: (501) 376-9442

Any person may, by written notice to the other persons listed above, designate a different address or

telephone or fax number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of ADFA, the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriters and the Owners and the Beneficial Owners of the Series 2016 Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Borrower has caused this Disclosure Agreement to be executed in its name and attested to by its duly authorized officers, and the Trustee has caused this Disclosure Agreement to be executed in its name and attested to by its duly authorized officers. All of the above occurred as of the date set forth on the cover hereof.

HENDRIX COLLEGE

By _____
Dr. William M. Tsutsui, President

BANK OF THE OZARKS, as Trustee

By _____
Sheila Mayden, Senior Vice President

The Arkansas Development Finance Authority as the Issuer of the Series 2016 Bonds hereby acknowledges the provisions of the Continuing Disclosure Agreement.

ARKANSAS DEVELOPMENT FINANCE
AUTHORITY

By _____
Dr. Richard Burnett, Chairman

ATTEST:

Aaron Burkes, Secretary

EXHIBIT "A"

**NOTICE OF FAILURE TO FILE
ANNUAL DISCLOSURE STATEMENT**

Name of Issuer: Arkansas Development Finance Authority
Name of Obligated Party: Hendrix College
Name of Bond Issue: \$22,330,000 Arkansas Development Finance Authority
Revenue Refunding Bonds (Hendrix College Project) Series 2016
Dated Date: _____

NOTICE IS HEREBY GIVEN that Hendrix College has not provided an Annual Disclosure Statement with respect to the above-named Bonds as required by the continuing Disclosure Agreement dated as of May 26, 2016 between the Obligated Party and Bank of the Ozarks, as Trustee. The Issuer anticipates that the Annual Disclosure Statement will be filed by _____.

Dated: _____

Bank of the Ozarks

cc: Arkansas Development Finance Authority
900 West Capitol Avenue, Ste. 310
Little Rock, AR 72201
Attn: Vice President for Development Finance