

New Issue
Book-Entry Only

Not Rated

In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, under existing law and assuming compliance with certain covenants described herein, interest on the 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. The Issuer has designated the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Bond Counsel is of the opinion that the Bonds and the interest thereon are exempt from all Arkansas state, county, and municipal taxes. See the caption “Tax Exemption” herein.

The Bonds have been designated as “Qualified Tax-Exempt Obligations” for financial institutions.

Board of Trustees of Southern Arkansas University



\$8,000,000

Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2017

Dated: Date of Delivery

Due: March 1, as shown inside front cover

The Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2017 (the “Bonds”) are general obligations of the Board of Trustees of Southern Arkansas University (the “Issuer”), secured by and payable from net revenues derived from the student housing facilities and other auxiliary enterprises owned and operated by the Issuer at the Issuer’s main campus, Southern Arkansas University, located in the City of Magnolia, Arkansas (“SAU” or the “University”). **The Bonds are not secured by the faith and credit of the State of Arkansas or by a pledge of any of its revenues or by a mortgage lien on any of the lands or buildings of the State of Arkansas or the Issuer. The Issuer has no taxing power.** See the caption “Security for the Bonds” herein.

The Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Individual purchasers of Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates. See Appendix D—Book-entry Only System.

Interest on the Bonds will be payable each March 1 and September 1, commencing September 1, 2017. All such interest payments shall be payable to the person in whose name such Bond is registered on the bond registration book maintained by Farmers Bank & Trust Company, Magnolia, Arkansas, as trustee (the “Trustee”). Disbursement of such payments to DTC Participants is the responsibility of DTC, and distribution of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein.

See inside this front cover for maturity schedules and interest rates.

This cover page contains certain information for quick reference only. It is not a summary of the terms of or the security for the Bonds. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. It is expected that the Bonds will be delivered through the facilities of DTC on or about March 14, 2017.

Stephens Inc.

The date of this Official Statement is February 22, 2017.

MATURITY SCHEDULE

\$8,000,000 Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2017

Term Bonds

Year (March 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP**
2022	\$ 850,000	2.125 %	2.125 %	842217 ER8
2027	955,000	3.250	3.250	842217 ES6
2032	1,130,000	3.750	3.750	842217 ET4
2037	1,360,000	4.000	4.000	842217 EU1
2042	1,660,000	4.125	4.125	842217 EV9
2047	2,045,000	4.250	4.250	842217 EW7

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter.

Certain information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the Underwriter.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof. See “APPENDIX C—Form of Continuing Disclosure Agreement” herein for a description of the undertakings of the Issuer to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

Neither the Issuer or the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system described in “APPENDIX D—Book-Entry Only System” as such information has been provided by DTC.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The agreements of the Issuer and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See the caption “FORWARD-LOOKING STATEMENTS” herein.

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The cover page hereof, this Table of Contents, and the Appendices attached hereto are part of this Official Statement.

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Board of Trustees

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Edgar O. Lee

Lawrence Bearden

David Nelson

Therral Story

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Dr. Trey Berry

Vice President for Administration and General Counsel

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Vice President for Student Affairs

Dr. Donna Y. Allen

Vice President for Finance

Shawana Reed

CONSULTANTS AND ADVISORS TO THE BOARD OF TRUSTEES

Bond Counsel

Rose Law Firm, a Professional Association

Trustee

Farmers Bank & Trust Company, Magnolia, Arkansas

Underwriter

Stephens Inc.

OFFICIAL STATEMENT

BOARD OF TRUSTEES OF SOUTHERN ARKANSAS UNIVERSITY

\$8,000,000

AUXILIARY ENTERPRISES SECURED CAPITAL IMPROVEMENT BONDS, SERIES 2017

INTRODUCTORY STATEMENT

The following Introductory Statement is subject in all respects 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. Except as otherwise defined, capitalized terms used in this Official Statement have the meanings ascribed to them in Appendix A-Definitions of Certain Terms.

Issuer

The Issuer is the Board of Trustees of Southern Arkansas University, a body politic and corporate and a public instrumentality organized and existing under the laws of the State of Arkansas. See the caption “The Issuer” herein.

Security and Source of Payment

General. The Bonds are secured by a pledge of net revenues to be derived from certain auxiliary enterprises owned and operated by the Issuer at the main campus of the University, located in the City of Magnolia, Arkansas (“Auxiliary Enterprises Revenues,” which are defined in more detail in Appendix A). The pledge of Auxiliary Enterprises Revenues is on a parity of security with a pledge of some or all of such revenues to the Issuer’s Auxiliary Enterprises Revenue Secured Capital Improvement Bonds, Series 2005B, the Issuer’s Auxiliary Enterprises Revenue Secured Capital Improvement Bonds (SAU Project), Series 2012, the Issuer’s Auxiliary Enterprises Secured Capital Improvement Bonds (SAU Project), Series 2013-C, the Issuer’s Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2014, and the Issuer’s Auxiliary Enterprises Secured Refunding Bonds, Series 2016 (collectively the “Parity Bonds”).

The primary source of Auxiliary Enterprises Revenues is derived from the Issuer’s Housing System which consists of all student housing facilities owned and operated by the Issuer at its Magnolia, Arkansas, campus, including without limitation residence halls, dining halls, and student union buildings (and therein any bookstore, snack bar, cafeteria, and post office). Athletic revenues and expenses are excluded from Auxiliary Enterprises Revenues pledged to the Bonds.

The Bonds are general obligations of the Issuer only and will not constitute an indebtedness for which the faith and credit of the State of Arkansas or any of its revenues are pledged. The Bonds will not be secured by a mortgage or a lien on any land or building belonging to the State of Arkansas or to the Issuer. The Issuer has no taxing power.

Additional Bonds. The Indenture permits, under certain conditions, the issuance of additional bonds by the Issuer which will rank on parity with the Bonds.

See the caption “The Bonds—Additional Bonds” herein.

Purpose

The proceeds of the Bonds will be used to finance the acquisition, construction, and equipping of certain capital improvements, fund a debt service reserve, and pay the costs of issuance of the Bonds.

See the caption “Sources and Uses of Funds” herein.

Features of the Bonds

Optional Redemption. The Bonds maturing on or after March 1, 2024, are subject to redemption by the Issuer on or after March 1, 2023, in whole or in part at any time from any moneys that may be available for such purpose, upon payment of 100 percent of principal amount of Bonds to be redeemed plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Trustee shall redeem the Bonds maturing on March 1, 2022, 2027, 2032, 2037, 2042, and 2047 in the years and in the principal amounts and at a price of 100 percent of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, as follows:

<u>Bonds Maturing March 1, 2022</u>		<u>Bonds Maturing March 1, 2027</u>		<u>Bonds Maturing March 1, 2032</u>	
Year	Amount	Year	Amount	Year	Amount
2018	\$170,000	2023	\$180,000	2028	\$210,000
2019	165,000	2024	185,000	2029	215,000
2020	170,000	2025	190,000	2030	225,000
2021	170,000	2026	195,000	2031	235,000
2022 (Maturity)	175,000	2027 (Maturity)	205,000	2032 (Maturity)	245,000

<u>Bonds Maturing March 1, 2037</u>		<u>Bonds Maturing March 1, 2042</u>		<u>Bonds Maturing March 1, 2047</u>	
Year	Amount	Year	Amount	Year	Amount
2033	\$250,000	2038	\$305,000	2043	\$375,000
2034	260,000	2039	320,000	2044	390,000
2035	270,000	2040	330,000	2045	410,000
2036	285,000	2041	345,000	2046	425,000
2037 (Maturity)	295,000	2042 (Maturity)	360,000	2047 (Maturity)	445,000

Special and Mandatory Redemption. The Bonds are subject to special redemption (which redemption shall be mandatory in the circumstances provided in subsections (b), (c) and (d) below) in whole or in part upon the occurrence of any of the following events with respect to the Project, at a redemption price equal to the principal amount of the Bonds then outstanding to be so redeemed, plus accrued interest to the date fixed for such redemption (which date shall be the earliest practicable date in accordance with Section 3.06 of the Indenture) and without premium:

(a) Damage, Destruction or Legal Curtailment. The Bonds may be redeemed in whole or in part, at the option of the Issuer, from the proceeds of insurance in the event of major damage or destruction of the Project, or from the legal curtailment of the use and occupancy of all or substantially all of the Project for any reason other than condemnation, on any interest payment date.

(b) Condemnation. The Bonds shall be redeemed in whole or in part from the proceeds of condemnation of all or substantially all of the Project, in the aggregate, on any interest payment date.

(c) Unspent Proceeds. At any time, the Bonds shall be redeemed in whole or in part, from excess funds in the Project Fund, to the extent that the final Project costs are less than the anticipated amount of Project costs.

(d) Excess Condemnation or Insurance Proceeds. On any interest payment date, the Bonds are subject to mandatory redemption in whole or in part, from the net proceeds of any insurance policy or condemnation award remaining after the repair, replacement, or improvement of the Project.

In the event that less than all of the Bonds are redeemed by operation of the foregoing, the Bonds to be redeemed within each series shall be selected by the Trustee pro rata among the then outstanding maturities (and by lot or in such manner as the Trustee shall deem fair and appropriate within each maturity) thereof according to the relationship borne by the outstanding principal amount of each such maturity to the total amount to be applied to redemption of the Bonds. In the event of partial redemption of the Bonds that are subject to mandatory sinking fund redemption pursuant to the Indenture, the principal amount of each sinking fund installment shall similarly be reduced pro rata.

Denominations. The Bonds shall be issued in Authorized Denominations.

Registration and Exchange. See Appendix D—Book-entry Only System.

Manner of Making Payments. See Appendix D—Book-entry Only System.

Notices to Bondholders. See the caption “The Bonds—Notice of Redemption” herein and Appendix D—Book-entry Only System.

Tax Status

In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, interest on the 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 is of the opinion that the Bonds and the interest thereon are exempt from all Arkansas state, county, and municipal taxes. See the caption “Tax Exemption” herein.

Qualified Tax-Exempt Obligations

The Issuer has designated the Bonds as “Qualified Tax-Exempt Obligations” for the purpose of the calculation of interest expense by financial institutions which may own the Bonds. See the caption “Legal Matters—Federal Tax Exemption—Qualified Tax-Exempt Obligations” herein.

Professionals

Farmers Bank & Trust Company, Magnolia, Arkansas, is Trustee, bond registrar, and paying agent for the Bonds.

Rose Law Firm, a Professional Association, Little Rock, Arkansas, serves as Bond Counsel for the Issuer in connection with the Bonds.

Stephens Inc., Little Rock, Arkansas, is underwriter of the Bonds.

Terms of the Offering

Authority. The Bonds are being issued pursuant to the laws of the State, including particularly Act No. 62 of the Acts of the General Assembly of the State of Arkansas of 1947, as amended, codified as Ark. Code Ann. §§ 6-62-301 *et seq.* (the “Act”), a resolution duly adopted by the Issuer, and a Supplemental Trust Indenture dated as of March 14, 2017, supplementing and original Trust Indenture dated as of January 1, 1999, as supplemented, (collectively the “Indenture”), by and between the Issuer and the Trustee.

Conditions. The Bonds are offered when, as, and if issued by the Issuer, subject to the final approving opinion of Bond Counsel.

Delivery. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about March 14, 2017.

Book Entry. The Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in Authorized Denominations. Individual purchasers of Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates. See Appendix D—Book-entry Only System.

Continuing Disclosure

The Issuer has entered into an undertaking for the benefit of the Bondholders to provide certain financial information and operating data to certain information repositories annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (“MSRB”), pursuant to the requirements of § (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12.

The Issuer instituted new continuing disclosure reporting procedures in May, 2012, which were amended in February, 2013. Notwithstanding these new procedures, the Issuer failed to file its Annual Reports for Fiscal Years 2013 and 2014, when due. The Issuer filed its Annual Reports for Fiscal Year 2013, which was due on or before December 27, 2013, and for Fiscal Year 2014, which was due on or before December 27, 2014, on February 27, 2015. The Trustee, in its role as Dissemination Agent under Continuing Disclosure Agreements with the Issuer, failed to provide notice to the MSRB that the Issuer had failed to provide to the Dissemination Agent annual financial information on or before the date such information was due. The Issuer’s Conditional Notice of Full Redemption dated November 30, 2016, calling the Issuer’s \$6,500,000 Student Fee Secured Capital Improvement Bonds, Series 2011 (the “Series 2011 Bonds”) for redemption prior to maturity on December 30, 2016 was properly distributed pursuant to the Series 2011 Bond Indenture, however the notice was not posted with MSRB’s Electronic Municipal Market Access (“EMMA”) until February 14, 2017. In addition to its reporting procedures, the Issuer has registered with EMMA for reminders regarding filing its annual continuing disclosure report and will obtain continuing education regarding its disclosure requirements. The Issuer’s continuing disclosure undertakings state that if the University’s audited financial statement is not included in its Annual Report, the Issuer will cause it to be provided to the MSRB when and if available.

See Appendix C—Form of Continuing Disclosure Agreement.

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All references herein to the Indenture are qualified in their entirety by reference to such document, copies of which are available from the Underwriter during the offering period and from the Issuer thereafter, and all references to the Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Indenture.

Further Information

For further information, communicate with Shawana Reed, Vice President for Finance, Southern Arkansas University, 100 E University St, Magnolia, AR 71753-5000 (Telephone: (870) 235-5008).

THE BONDS

General

The Bonds are dated as of the date of delivery, are numbered from 1 upward, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months).

Interest on the Bonds is payable on September 1, 2017, and thereafter semiannually on each Interest Payment Date at the rates per annum and mature on March 1, in the years and amounts set forth inside the cover of this Official Statement. All Bonds shall bear interest (a) from the date of delivery, if authenticated prior to the first Interest Payment Date, or (b) otherwise from the Interest Payment Date that is, or that immediately precedes, the date on which such Bond is authenticated (unless payment of interest is in default, in which case such Bond shall bear interest from the date to which interest has been paid).

The principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Principal of the Bonds shall be payable by the Trustee upon presentation and surrender of the Bonds as they become due at the Principal Office of the Trustee. Interest on Bonds shall be payable by the Trustee to the Bondholders of Bonds by check or draft mailed to such Bondholders at their addresses as they appear on the bond registration books of the Trustee on the Record Date. Principal and interest will be paid to any person holding Bonds in aggregate principal amount of \$1,000,000 or more, upon the written request of any such Bondholder in form and substance satisfactory to the Trustee, by wire transfer of immediately available funds to an account within the United States of America designated by such Bondholder on or before the Record Date.

If any principal of or interest on any Bond is not paid when due (whether at maturity, by acceleration, call for redemption, or otherwise), then the overdue installments of principal and, to the extent permitted by law, interest shall bear interest until paid at the same rate set forth in such Bond.

Further Information Regarding Mandatory Sinking Fund Redemption

On or before the 30th day prior to each sinking fund redemption date, the Trustee shall proceed to call the prescribed principal amount of the Bonds for redemption on the next redemption date, and give notice of such call. At its option, to be exercised by delivery of an Officer's Certificate of the Issuer to the Trustee not more than 360 days nor less than 65 days preceding the next applicable sinking fund redemption date, the Issuer may (a) deliver to the Trustee for cancellation Bonds of the applicable maturity date subject to redemption pursuant to the terms of the mandatory sinking fund in an aggregate principal amount desired or (b) receive credit in respect of its sinking fund redemption obligation for any Bonds of the applicable maturity date subject to redemption pursuant to the terms of the mandatory sinking fund, which prior to said date have been canceled (otherwise than through the operation of the sinking fund redemption schedule) by the Trustee and not theretofore applied as a credit against such sinking fund redemption obligation. Each Bond of the applicable maturity date so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof against the obligation of the Issuer on such sinking fund redemption date, and the principal amount of Bonds to be redeemed by operation of such sinking fund redemption schedule on such date shall be accordingly reduced; and any excess over the principal amount of Bonds to be redeemed by operation of the sinking fund redemption schedule on any sinking fund redemption date shall be credited against future sinking fund redemption payments in such manner as will ensure that each future sinking fund redemption payment shall be reduced as specified in an Officer's Certificate of the Issuer or, in the absence of such certificate, in inverse order of scheduled sinking fund redemption by an amount proportional to the amount originally established for such future sinking fund redemption date, rounded to the nearest \$5,000 amount so that the total amount so credited equals the principal amount of Bonds so delivered, and the principal amount of

Bonds required to be redeemed by operation of the sinking fund on subsequent sinking fund redemption dates shall be correspondingly reduced.

Selection of Bonds for Redemption

If less than all of the Bonds are called for redemption, they shall be redeemed from maturities in such order as determined by the Issuer, and by lot within any maturity, subject to selection by the Trustee as provided below. The portion of any Bond to be redeemed shall be an Authorized Denomination and in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination. If a portion of a Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Bondholder upon the surrender thereof. If for any reason the principal amount of Bonds called for redemption would result in a redemption of Bonds less than the Authorized Denomination, the Trustee is authorized to adjust the selection of Bonds for such purpose in order to minimize any such redemption. Notwithstanding the foregoing, the Securities Depository for Book Entry Bonds shall select the Bonds for redemption within particular maturities according to its stated procedures.

Notice of Redemption

When Bonds (or portions thereof) are to be redeemed, the Issuer shall give or cause to be given notice of the redemption of the Bonds to the Trustee no later than 45 days prior to the redemption date or such shorter time as may be acceptable to the Trustee. In the case of an optional redemption under the Indenture (see the caption “The Bonds—Introductory Statement—Features of the Bonds—Optional Redemption” herein), the notice may state (a) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (b) that the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described at “Rescission of Conditional Redemption” below. The Trustee, at the expense of the Issuer, shall send notice of any redemption, identifying the Bonds to be redeemed, the redemption date, and the method and place of payment and the information described at “Rescission of Conditional Redemption” below, by first class mail or by other standard means, including electronic or facsimile communication, to each holder of a Bond called for redemption to the holder’s address listed on the Bond Register. Such notice shall be sent by the Trustee by first class mail or by other standard means, including electronic or facsimile communication, between 30 and 60 days prior to the scheduled redemption date. If notice is given as stated in this paragraph, failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

On or before the date fixed for redemption, subject to the provisions described above, moneys shall be deposited with the Trustee to pay the principal of and redemption premium, if any, and interest accrued to the redemption date on the Bonds called for redemption. Upon the deposit of such moneys, the Bonds shall cease to bear interest on the redemption date and shall no longer be entitled to the benefits of the Indenture (other than for payment and transfer and exchange) and shall no longer be considered Outstanding.

Rescission of Conditional Redemption. Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the Issuer delivers an Officer’s Certificate to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute any Event of Default. Further, in the case of a Conditional Redemption, the failure of the Issuer to make funds available in part

or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give immediate notice to the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

Additional Bonds

General. The Issuer will not issue any other bonds or obligations having a lien on the Trust Estate except for Additional Bonds issued pursuant to the Indenture and as described at this caption. Additional Bonds may be issued and the Trustee shall authenticate and deliver such Additional Bonds when there have been filed with it the following: (a) a copy certified by the Secretary of the Issuer of a resolution of the Issuer authorizing the execution and delivery of a supplemental indenture providing for, among other things, the date, rate or rates of interest on, interest payment dates, maturity dates, and redemption provisions of such Additional Bonds, and the issuance, sale, execution, and delivery of the Additional Bonds; (b) an original executed counterpart of the supplemental indenture; (c) an opinion or opinions of Bond Counsel, addressed to the Issuer and the Trustee, to the effect that there has been compliance with all conditions precedent to the authentication and delivery of the Additional Bonds, the issuance of the Additional Bonds has been duly authorized and issuance of the Additional Bonds will not adversely affect the income tax status of interest on Bonds Outstanding; (d) a certificate of the Issuer, signed by its President, that the Issuer is not in default under the Indenture and evidence satisfactory to the Trustee that upon issuance of the Additional Bonds amounts will be deposited in the Funds under the Indenture adequate for the necessary balances therein after issuance of the Additional Bonds; and (e) a request and authorization of the Issuer, signed by its President, to the Trustee to authenticate and deliver the Additional Bonds to such person or persons named therein after confirmation of payment to the Trustee for the amount of the Issuer of a specified sum with directions as to the disposition of such sum.

Additional Requirement for Issuance of Additional Bonds. If the Additional Bonds are to be issued to acquire, construct, or equip capital improvements to the University, there must be delivered to the Trustee a written opinion of an Accountant that the Auxiliary Enterprises Revenues collected by the Issuer in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Bonds are proposed to be issued were at least 125 percent of the maximum Annual Debt Service on all Outstanding Bonds plus the Additional Bonds proposed to be issued, and if the Additional Bonds are to be issued to refund any Series of Bonds Outstanding, a written opinion of an Accountant that the 125 percent test has been satisfied or that Annual Debt Service on the Additional Bonds proposed to be issued does not exceed Annual Debt Service on all Bonds which would have been Outstanding had the same not been refunded.

Junior Lien Debt. The Issuer may issue junior lien debt so long as any lien on Auxiliary Enterprises Revenues is expressly subordinate to the lien securing the Bonds.

SECURITY FOR THE BONDS

General

The Bonds will be general obligations only of the Issuer and will not constitute an indebtedness for which the faith and credit of the State of Arkansas or any of its revenues are pledged and will not be secured by a mortgage or a lien on any land or building belonging to the State of Arkansas or to the Issuer.

As provided in the Supplemental Indenture, the Bonds are secured by a pledge of Auxiliary Enterprises Revenues which are the net revenues derived from the Issuer's Auxiliary Enterprises, which exclude auxiliary revenues or expenses from the University's athletic activities. (See Appendix A-Definitions of Certain Terms). Primary sources of Auxiliary Enterprises Revenues have included the University's Housing System, food services, bookstore and student organizations and publications. Some

or all of the Auxiliary Enterprises Revenues are on parity of security with the Parity Bonds. Athletic revenues and expenses are excluded from Auxiliary Enterprises Revenues pledged to the Bonds.

The Issuer has covenanted to maintain the charges for occupancy of the facilities of the Housing System and for its services at a level sufficient to produce annual Auxiliary Enterprises Revenues at least equal to 125 percent of the maximum Annual Debt Service on all Parity Bonds, Additional Bonds and the Bonds and to maintain any Debt Service Reserve Funds at their required levels.

The Issuer will not assign the Auxiliary Enterprises Revenues or create or authorize to be created any debt, lien, or charge thereon, other than the assignment under the Indenture. The Issuer may not reduce charges for occupancy or use of the Auxiliary Enterprises and for its other auxiliary services unless it files with the Trustee an opinion of an Accountant to the effect that Auxiliary Enterprises Revenues for the preceding Fiscal Year, assuming such reduction had been in effect for the entire Fiscal Year, would have met the coverage requirements of the preceding paragraph.

Auxiliary Enterprises Revenues

The following table illustrates the University's historical Auxiliary Enterprises Revenues for the fiscal years indicated:

Fiscal Year	Auxiliary Enterprises Revenues
2016	\$ 2,933,202
2015	2,622,935
2014	1,329,918
2013	2,537,261
2012	2,408,207

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The following table sets forth the calculation of Auxiliary Enterprises Revenues for Fiscal Year Ending June 30, 2016.

Auxiliary Enterprises Revenue for Fiscal Year Ending June 30, 2016

	Housing and Food Service	Bookstore	Health Services	Student Activities	Other Auxiliary Enterprises⁽¹⁾	Total
Enterprise Revenue	\$ 9,429,238	\$ 194,741	\$ 223,069	\$ 34,629	\$ 771,749	\$ 10,653,426
Student Fees	(123,800)	-	(221,729)	-	(544,467)	(889,996)
Scholarship Allowances	<u>(2,746,631)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,746,631)</u>
Auxiliary Revenue ⁽²⁾	\$ 6,558,807 ⁽²⁾	\$ 194,741 ⁽²⁾	\$ 1,340 ⁽²⁾	\$ 34,629 ⁽²⁾	\$ 227,282 ⁽²⁾	\$ 7,016,799 ⁽³⁾
Current Expenses	<u>\$ 2,919,364</u>	<u>\$ 10,808</u>	<u>\$ 200,919</u>	<u>\$ 256,377</u>	<u>\$ 696,129</u>	<u>\$ 4,083,597⁽⁴⁾</u>
Auxiliary Enterprises Revenues	<u>\$ 3,639,443</u>	<u>\$ 183,933</u>	<u>\$(199,579)</u>	<u>\$(221,748)</u>	<u>\$(468,847)</u>	<u>\$ 2,933,202</u>

(1) Other Auxiliary Units include Post Office, Student Organizations, and Student Publications.

(2) As reflected in the Fiscal Year 2016 Financial Report (unaudited) found at Appendix E.

(3) Does not include \$122,541 Athletic revenues which are excluded from pledged Auxiliary Enterprises Revenue.

(4) Does not include \$3,755,087 Athletic expenses which are excluded from pledged Auxiliary Enterprises Revenue.

Housing System. Housing and food services are the primary sources of Auxiliary Enterprises Revenues. Current housing at the University consists of residence halls and apartment complexes. Selected information for the residence halls and apartments exclusive of food service charges follows:

Traditional Residence Halls	Fall / Spring (per term)	Summer (per term)	Current Occupancy	Size
Bussey Hall	\$1,472	\$471	97.0%	200 beds
Greene Hall	\$1,472	\$471	98.3%	176 beds
Harrod Hall	\$1,472	\$471	97.5%	198 beds
Honors Hall South	\$1,472	\$471	95.8%	96 beds
Talbot Hall	\$1,472	\$471	94.7%	190 beds
Talley Hall	\$1,472	\$471	94.8%	192 beds
Suite-style Residence Halls	Fall / Spring (per term)	Summer (per term)		
Fincher Hall	\$1,836	\$588	97.8%	92 beds
Honors Hall North	\$1,836	\$588	95.2%	84 beds
University Hall	\$1,836	\$588	98.2%	112 beds
Hybrid-style Residence Halls	Fall / Spring (per term)	Summer (per term)		
Columbia Hall	\$1,890	\$605	95.5%	132 beds
Magnolia Hall	\$1,890	\$605	95.5%	132 beds
Apartments	Fall / Spring (per term)	Summer (per term)		
University Village (per bed)			97.0%	264 beds
2 bdrm / 9 month lease	\$3,201	\$1,067		
2 bdrm / 12 month lease	\$2,786	\$929		
2 bdrm Early (12 in 9)	\$3,715	N/A		
4 bdrm / 9 month lease	\$2,885	\$961		
4 bdrm / 12 month lease	\$2,449	\$816		
4 bdrm Early (12 in 9)	\$3,265	N/A		
Family / 9 month lease	\$5,727	\$1,612		
Family / 12 month lease	\$5,260	\$1,465		
Family Early (12 in 9)	\$6,725	N/A		

Other Bonds Secured with Auxiliary Enterprises Revenues. The University is obligated with respect to Parity Bonds which are secured by Auxiliary Enterprises Revenues, as follows:

Year of Issue	Principal Outstanding 01/01/2017	Final Maturity	Maximum Annual Debt Service (Fiscal Year)
2005B	\$920,000	10/01/2030	\$90,727.50 (2022)
2012	4,550,000	9/01/2042	278,111.26 (2018)
2013-C	1,865,000	9/01/2042	116,285.00 (2018)
2014	9,200,000	6/01/2034	711,535.00 (2022)
2016	8,855,000	6/01/2039	571,137.50 (2026)

Under a policy of the Department of Higher Education (of the State of Arkansas), auxiliary projects may be financed by auxiliary revenues, dedicated building use fees, or local tax or millage so long as annual revenue from those sources is not less than 120 percent of the total annual debt service. Other than the Parity Bonds, the Issuer has no other debt secured by Auxiliary Enterprises Revenues.

Privatized Student Housing Project. Pursuant to a Ground Lease Agreement dated as of October 13, 2015, the University leased 3.1 acres of land on the University’s campus to the Southern Arkansas University Alumni Association, Inc. (the “Association”) for the purpose of providing new housing for 264 students (the “Privatized Project”). On December 22, 2015 the Housing Facilities Board of the City of Magnolia, Arkansas (the “Housing Board”) issued \$10,035,000 housing revenue bonds (the “Association Bonds”), the proceeds of which are being loaned to the Association to acquire, construct, equip and develop the Privatized Project. The Privatized Project will consist of two buildings of 132 beds each. The first building was completed in August 2016. The Borrower and the University have entered into a Develop, Manage and Maintain Agreement dated as of December 22, 2015 (the “Management Agreement”) pursuant to which the University has agreed to develop, manage and maintain the Privatized Project. The Management Agreement provides that in the event that revenues generated by the Privatized Project are insufficient to pay maintenance and operation expenses of the Privatized Project and to pay the debt service obligations, the University shall use its unrestricted and legally available student fee and/or auxiliary revenues and assets to supplement the revenues generated by the Privatized Project in order to satisfy the Association’s obligations under its loan agreement with the Housing Board. The determination of sufficiency of the Privatized Project Revenues to pay maintenance and operation expenses is made after the payment of debt service and certain other expenses described in the Management Agreement. The Association has granted a leasehold mortgage to the Housing Board to secure its obligations under its lease agreement with the Housing Board. The leasehold mortgage grants a mortgage on and security interest in the Association’s rights in the Privatized Project composed of both real and personal property. Revenues generated by residence fees in the Privatized Project will not be included as revenues pledged as Auxiliary Enterprises Revenues. No dining facilities are planned for the Privatized Project. On campus dining arrangements for residents of the Privatized Project will be with the University and included as revenues pledged as Auxiliary Enterprises Revenues.

Shawana Reed, the Chief Financial Officer of the University, serves as a member and Chairperson of the Housing Board. The Issuer has covenanted under the Indenture that it will not assign the Auxiliary Enterprises Revenues or create, or authorize to be created, any debt lien or charge thereon, other than an assignment under the Indenture.

Reserve Fund

The Indenture requires that, upon the delivery of the Bonds, there shall be deposited with the Trustee for deposit in the Reserve Fund an amount equal to the average Annual Debt Service payable on the Bonds.

Use of Moneys in the Reserve Fund. Moneys in the Reserve Fund shall be used solely for the payment of the principal of and interest on the Bonds to the extent moneys on deposit in the Debt Service Fund on any payment date are insufficient for such purpose.

SOURCES AND USES OF FUNDS

The proceeds of the Bonds together with certain other available funds of the Issuer will be used as follows:

Sources of Funds

Proceeds of the Bonds	<u>\$8,000,000.00</u>
Total Sources:	<u>\$8,000,000.00</u>

Uses of Funds

Deposit to the Project Fund	\$7,414,663.20
Deposit to Debt Service Reserve Fund	462,336.80
Costs of Issuance (including Underwriter's discount)	<u>123,000.00</u>
Total Uses:	<u>\$8,000,000.00</u>

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DEBT SERVICE REQUIREMENTS

The following tables set forth the amounts required to pay scheduled principal and interest on the Bonds and parity indebtedness during the Fiscal Years indicated:

Fiscal Year	Bonds		Total Debt Service	Debt Service on Parity	Grand Total Annual Debt Service
	Principal	Interest		Auxiliary Enterprises Revenue Secured Bonds	
2017				\$1,753,596.26	\$1,753,596.26
2018	\$170,000.00	\$290,383.58	\$460,383.58	1,757,506.26	2,217,889.84
2019	165,000.00	297,650.00	462,650.00	1,748,056.26	2,210,706.26
2020	170,000.00	294,143.76	464,143.76	1,748,183.76	2,212,327.52
2021	170,000.00	290,531.26	460,531.26	1,751,467.51	2,211,998.77
2022	175,000.00	286,918.76	461,918.76	1,757,491.26	2,219,410.02
2023	180,000.00	283,200.00	463,200.00	1,756,075.64	2,219,275.64
2024	185,000.00	277,350.00	462,350.00	1,751,935.01	2,214,285.01
2025	190,000.00	271,337.50	461,337.50	1,750,575.00	2,211,912.50
2026	195,000.00	265,162.50	460,162.50	1,761,331.25	2,221,493.75
2027	205,000.00	258,825.00	463,825.00	1,754,270.00	2,218,095.00
2028	210,000.00	252,162.50	462,162.50	1,748,466.26	2,210,628.76
2029	215,000.00	244,287.50	459,287.50	1,755,684.38	2,214,971.88
2030	225,000.00	236,225.00	461,225.00	1,745,222.51	2,206,447.51
2031	235,000.00	227,787.50	462,787.50	1,747,327.51	2,210,115.01
2032	245,000.00	218,975.00	463,975.00	1,659,794.38	2,123,769.38
2033	250,000.00	209,787.50	459,787.50	1,658,841.25	2,118,628.75
2034	260,000.00	199,787.50	459,787.50	1,610,619.38	2,070,406.88
2035	270,000.00	189,387.50	459,387.50	951,616.26	1,411,003.76
2036	285,000.00	178,587.50	463,587.50	956,819.38	1,420,406.88
2037	295,000.00	167,187.50	462,187.50	950,825.63	1,413,013.13
2038	305,000.00	155,387.50	460,387.50	953,635.01	1,414,022.51
2039	320,000.00	142,806.26	462,806.26	955,050.63	1,417,856.89
2040	330,000.00	129,606.26	459,606.26	380,162.50	839,768.76
2041	345,000.00	115,993.76	460,993.76	381,565.00	842,558.76
2042	360,000.00	101,762.50	461,762.50	382,362.50	844,125.00
2043	375,000.00	86,912.50	461,912.50	382,555.00	844,467.50
2044	390,000.00	70,975.00	460,975.00		460,975.00
2045	410,000.00	54,400.00	464,400.00		464,400.00
2046	425,000.00	36,975.00	461,975.00		461,975.00
2047	445,000.00	18,912.50	463,912.50		463,912.50
Total	\$8,000,000.00	\$5,853,408.64	\$13,853,408.64	\$37,511,035.79	\$51,364,444.43

ESTIMATED DEBT SERVICE COVERAGE

Based on Auxiliary Enterprises Revenues during Fiscal Year 2016, as set forth under the caption “Security for the Bonds” herein, and assuming debt service on the Bonds as shown under the caption “Debt Service Requirements” herein, the following table illustrates historical debt service coverage on the Bonds and parity indebtedness by the Auxiliary Enterprises Revenues.

	Fiscal Year 2016
Auxiliary Enterprises Revenues.....	\$2,933,202
Pro forma maximum Annual Debt Service on Bonds (based on average coupon rate of 4.034%) and parity indebtedness.....	\$2,221,494
Coverage	1.32X

THE ISSUER

History and General Description

Southern Arkansas University is located in Magnolia, Arkansas, a city situated in the southwestern part of the state about 55 miles east of Texarkana on U.S. Highways 79, 82, and 371, with an estimated 2010 population of 11,577.

Southern Arkansas University was founded as the “Third District Agricultural School.” One of four such schools established by an act of the Arkansas Legislature in 1909, it opened in January 1911, as a district secondary school for southwest Arkansas. In 1925, the State Legislature authorized the school to add two years of college work to its curriculum and to change its name to “Agricultural and Mechanical College, Third District.” It carried both high school and junior college courses until 1937, at which time the high school courses were discontinued. In the fall of 1949, the Board of Trustees, exercising authority vested in it by the State Legislature, decided to make the college into a four-year, degree-granting institution. The Board authorized the adding of third-year college courses to begin with the fall semester of 1950, and fourth-year or senior courses to begin with the fall semester of 1951. By Act Eleven, January 24, 1951, the State Legislature changed the name of the institution to “Southern State College.” In 1974, the college was approved and accredited to offer a master of education degree in selected academic areas. The name was changed to “Southern Arkansas University” on July 9, 1976.

Southern Arkansas University is located on a tract of land of approximately 1,400 acres, of which 120 acres are included in the campus and 1,280 acres are used by the agriculture department as a laboratory for its students. The buildings are predominantly brick structures. The topography of the campus is a rounded, moderate elevation which slopes gently in all directions from the center portion. A five-acre park, which includes a grove of pine trees, marks the southeast corner of the campus.

In conjunction with the Southern Arkansas University Foundation, SAU now has an additional 650 acres of farm and timber land for use by SAU agriculture department and science classes. The acquisition known as the Governor Ben and Lucille Laney Farm at SAU provided approximately 170 acres for unrestricted use; the remainder is in timber production to fund a charitable remainder trust. This section is available for laboratory use by SAU students and faculty. SAU is the ultimate beneficiary of the trust.

In 1975, Southwest Technical Institute a two-year college located in Camden, Arkansas became part of the system governed by the Issuer and changed its name to Southern Arkansas University Tech (“SAU Tech”). SAU Tech is governed by the Issuer, but operated distinctly from the University. No revenues of SAU Tech are pledged as security for the Bonds.

SAU has recently expanded several of its campus facilities. SAU repurposed an existing armory facility on the university campus into an engineering facility to expand the engineering program and create laboratories needed for accreditation. The program, degree options, and the facility have drawn students from all over the country. The Wharton Nursing building was recently expanded to include simulation centers and an auditorium for lecture classes and speakers. The new softball field is complete, allowing for tournaments to be held on campus and also acting as a recruiting tool for student athletes. Additionally, the Workforce Development building was recently constructed to allow students the opportunity to learn alongside leaders in the workforce. Two new housing facilities have been constructed on campus to accommodate the growing student population. These new hybrid style residence halls feature traditional residence hall rooms with clusters of private bathroom suites. Additional extensive ongoing renovations are underway to update existing residence halls.

Governance and Administration

The University System is governed by a Board of Trustees which consists of five persons, appointed by the Governor of the State and approved by the State Senate. The current members of the Board, their vocations, and the year of term expiration of each are as follows:

Name	Office	City of Residence	Business or Profession	Term Expires
W. Steve Keith	Chair	Magnolia	Banker	2018
David Nelson	Secretary	Magnolia	City Inspector	2017
Edgar O. Lee		Chidester	Manufacturing Supervisor	2019
Lawrence Bearden		Smackover	Oil and Gas	2020
Therral Story		Magnolia	Oil and Gas	2021

The Board of Trustees appointed Dr. Trey Berry President of the University System on July 1, 2015. Dr. Berry joined the University in 2011 as professor of history and dean of the College of Liberal and Performing Arts. He was promoted to provost and vice president for academic affairs a year later. Before coming to the University, he spent two years as deputy director of the Department of Arkansas Heritage, two years as a dean at the University of Arkansas at Monticello, and 18 years as a faculty member and administrator at Ouachita Baptist University.

The University's administrative affairs are the responsibility of its Vice President for Administration and General Counsel, Roger W. Giles. Mr. Giles is a licensed attorney. He received his law degree from the University of Arkansas at Fayetteville in 1972. In 1986, he received his M.A. from the University of Arkansas at Little Rock (with major in interpersonal and organizational communication). In addition to the private practice of law, Mr. Giles has served as a Judge Advocate in the United States Air Force in the rank of Lieutenant Colonel, Assistant Commissioner and Staff Attorney, Arkansas Securities Department; Assistant Attorney General for the State of Arkansas; lecturer (in American National Government) at the University of Arkansas at Little Rock; and Director of Planning and Personnel at Southern Arkansas University.

The University's financial affairs are the responsibility of its Vice President for Finance, Shawana Reed. Ms. Reed received her M.B.A. in 2012 and her B.B.A in Accounting in 2002 from Southern Arkansas University. Before joining the SAU team in 2004, Ms. Reed previously worked in the banking industry. She has served SAU in progressing capacities over her career.

SOUTHERN ARKANSAS UNIVERSITY

Colleges

The University is composed of a College of Business, a College of Education, a College of Liberal and Performing Arts, a College of Science and Engineering, and an Honors College. Studies in non-degree and supporting fields, such as computer science, are also offered. A separate School of Graduate Studies was established July 1, 2003, offering degrees in elementary and secondary education, educational leadership, counseling and development, business, library media and information specialist, kinesiology, counseling, public administration, and teaching.

Degree Programs

The University offers 50 degree programs with several programs having emphasis options. The University offers bachelor's degrees in all colleges; associate degrees in the College of Business, College

of Education, College of Liberal and Performing Arts, and College of Science and Technology; and master's degrees in the College of Business and College of Science and Technology. In addition, pre-professional programs are offered for architecture, chiropractic, dental, dental hygiene, engineering, forestry, medicine, occupational therapy, optometry, pharmacy, physical therapy, radiologic technology, respiratory therapy, and veterinary degrees.

Faculty

The University has 164 full-time members of the active teaching faculty located at the main campus in Magnolia, Arkansas, 70 hold master's degrees, 85 hold doctoral degrees. Thirty-six percent of the faculty is tenured.

Online Programs

SAU provides an on-line degree program for students earning the following degrees:

- Masters of Education in Higher Adult and Lifelong Education
- Bachelor of Business Administration (Management)
- Master of Arts in Teaching
- Master of Business Administration
- Master of Computer and Information Science
- Master of Education (Curriculum and Instruction)
- Master of Education (Library Media and Information Specialist)
- Master of Education (School Counseling)
- Master of Education (Special Education 4-12)
- Master of Education (Special Education P-4)
- Master of Education (Student Affairs and College Counseling)
- Master of Education in Educational Administration and Supervision
- Master of Public Administration
- Master of Science in Agriculture
- Master of Science in Kinesiology – Coaching
- Master of Science in Mental Health and Clinical Counseling
- Nursing (RN to BSN Program)

The current tuition revenue generated by the on-line programs, as well as historical enrollment for such programs is as follows:

Fiscal Year	Graduate Enrollment	Graduate (Student Semester Credit Hour)	Graduate In State / Graduate Out of State Rates Per Hour	Graduate Revenue
2013	2,612	7,783	\$244 / \$356	\$1,822,153
2014	2,476	7,421	\$254 / \$370	\$1,920,845
2015	3,103	9,309	\$262 / \$390	\$2,522,456
2016	3,699	22,629	\$271 / \$395	\$6,763,519
2017(ytd)	3,767	24,294	\$279 / \$414	\$7,969,636

The most significant driver to on-line graduate enrollment occurs within the College of Science and Engineering.

Library

The Magale Library, centrally located on campus, is a comprehensive library-learning resource center with 151,000 volumes. The library has 100 computers for student use in the reference area and a computer lab used to instruct students on accessing electronic information. The library currently has access to more than 38,000 full-text periodicals available from multiple database providers including Lexis/Nexus, EBSCO, JSTOR, and many others. Access to library resources is available to University facility and students from off campus from any computer with Internet access. Magale Library is open more than 86.5 hours per week.

Accreditations

The University is accredited by the Higher Learning Commission of the North Central Association, the National Council of Accreditation of Teacher Education, the National League for Nursing Accrediting Commission, the National Association of Schools of Music, Council of Social Work Education, AACSB International, and Commissions on Accreditation of Athletic Training Education.

Memberships

The University holds memberships in several national organizations. These include: The Higher Learning Commission of the North Central Association, American Council on Education, AACSB International—The Association to Advance Collegiate Schools of Business, American Association of Colleges for Teacher Education, American Association of State Colleges and Universities, American Association of University Women, National Association of Schools of Music, National Collegiate Athletic Association, National Commission of Accrediting, National Council for the Accreditation of Teacher Education, National Council of Educational Opportunity Associations, National Association of College and University Business Officers, and National Association of College and University Attorneys.

Athletics

The University's sports activities encompass individual and team events. Varsity teams compete in the new Great American Athletic Conference of the NCAA Division II, with men's competition in basketball, baseball, cross country, football, golf, and track and women's competition in basketball, cross country, softball, track, and volleyball. Intramural activities are sponsored throughout the school year.

Southern Arkansas University Foundation and Endowments

The Southern Arkansas University Foundation, Inc. has approximately \$30 million in endowment as of June 30, 2016, and the University endowment has over \$4 million as of June 30, 2016, for a total endowment of over \$34 million. There are several hundred named endowments. These include scholarships, lectureships, professorships, artist-in-residence, and academic and athletic enrichment endowments. Almost all the Foundation's assets are restricted by donor declaration. For further financial information regarding the Southern Arkansas University Foundation, Inc. and University endowments see Appendix E—Fiscal Year 2016 Financial Report (unaudited).

Financial Aid

SAU offers a comprehensive scholarship program based on academic, performance, or leadership accomplishments. Scholarships can be maintained for up to two-to-eight semesters if retention criteria are met (minimum number of hours per semester and minimum grade point). Scholarship amounts vary from tuition, room and board, and stipend (books) for Presidential to a set dollar amount less than full tuition

for leadership awards and performance. The overall program is designed to reward accomplishments in high school or at a two-year college that indicate potential for success at SAU. In addition, a non-traditional scholarship is offered to individuals who have been out of college for five years who meet criteria. For the 2015-2016 school year, scholarships excluding scholarship allowances totaled approximately \$2.6 million and work-study assistance amounted to approximately \$1.6 million. Over 73 percent of the University's students receive some form of financial aid.

Enrollment

Enrollment for the current and preceding four fiscal years of the University has been as follows:

Fiscal Year	2016/2017	2015/2016	2015/2014	2014/2013	2012/2013
Second Summer	1,549	1,023	772	760	702
Fall	4,771	4,095	3,546	3,404	3,330
Spring	4,348	4,194	3,313	3,112	3,014
First Summer	TBD	1,594	1,029	914	914

SAU's primary service area is generally those counties which are in the south central part of the State. During fiscal years 2014-15 and 2015-16, the enrollment averaged 64 percent in-state students and 36 percent out-of-state students with an average of 960 foreign students from 31 countries. In spring of 2017, SAU's residence halls housed a total of 1,826 students and 16 students were housed in SAU leased apartments.

Admissions Policy

The University's admissions policy is a product of its mission, developed by the University and the State of Arkansas. The mission of the Office of Admissions is to enhance the learning environment by providing personalized and updated information and timely follow-up information throughout the recruiting and admissions process to students, parents, and school officials. To accomplish this, the Office of Admissions must provide quality service while increasing student knowledge about standards, expectations, and educational choices.

Undergraduate applicants are required to submit ACT or SAT test scores and documentation of high school or GED achievement and graduation. For unconditional admission, a prospective student must have an ACT score of 19 or higher in English, Reading, and Math on the ACT examination and have graduated from high school. Additionally, a student must have successfully completed the core curriculum, recommended by the State Board of Education, with a minimum grade point average of 2.00 on a 4.00 scale to be eligible for unconditional admission. Conditional admission for beginning students requires that they must have earned a composite ACT score of 16 or higher or are ranked in the top quarter of their graduating class. Conditional admission requires completion of 12 semester hours of core academic courses and any necessary remedial courses with a cumulative grade point average of 2.0 within the first 30 hours of college level credit. Failure to do so may result in academic suspension, academic probation, or limiting the course enrollment required in the General Education block in the University catalog. Admitted students with less than a 15 ACT must also complete conditional prep requirements (tutoring, mandatory meetings, etc.).

Students who are GED, Home School, Private, and/or Charter School graduates are admitted by virtue of their ACT scores as specified above.

Students who are 25 years of age or older are admitted regardless of their ACT scores, but they must submit ACT scores to determine whether they must take developmental courses.

All entering transfer students are required to submit a formal application for admission. Transfer students must be in good standing with the institution they last attended. Transfer students who have attempted 1–14 semester hours must meet the admission standards for beginning freshmen; those who have attempted 15–29 semester hours must have a cumulative GPA of 1.5 or higher; and those who have attempted 30 or more semester hours must have a cumulative GPA of 2.0 or higher.

Transfer students must provide transcripts indicating courses equivalent to Composition I and College Algebra have been completed with grades of C or higher or submit ACT, SAT, Compass, or ASSET scores for placement purposes. No transfer students may disregard their academic records at other institutions they have previously attended. Students transferring from two-year colleges (including the University Tech) may transfer a maximum of 68 semester hours to the University, but the grade point average earned at those institutions will not be used to calculate the cumulative grade point average. Only courses with grades of C or higher will transfer.

The fall 2016 average composite for ACT score for the University freshmen was 21.3. The fall 2015 average composite for ACT score for the University freshmen was 21.5.

Marketing

The University employs five persons who, together with the Dean of Enrollment Services, make annual visits to each high school in southwestern and south central Arkansas and attend various special events for the purpose of informing prospective students and others about the University. They also attend college fairs in Louisiana, Texas, and Arkansas. In addition, e-blasts and a sophisticated mail generation system named EMAS are used for communication. Tele-counselors call every week, and students Facebook prospective students for communication.

The admissions and communications staff market the University through billboards, commercials, theatre quick pieces, year-long contracts with FOX and CW, and buying commercial time on Channels 7 and 4 in Little Rock and with Shreveport and Texarkana stations. In addition, our literature is top quality and markets the University very well. The University hands out “Be a Mulerider” t-shirts all over the Ark-La-Tex along with the University pens. The school also uses its website as a marketing tool, and attempts to keep it as up to date as possible. The school purchases air time on radios in the Ark-La-Tex, along with many other ads in magazines, websites, annuals, newspapers (including the *Arkansas Democrat-Gazette*), etc. It believes that its marketing plan for the University is comprehensive.

Financial Information

The Issuer has issued other bonds and incurred other indebtedness not secured by Auxiliary Enterprises Revenues that could impact its general obligation to repay the Bonds. These bonds and other indebtedness are described in the University’s and Southern Arkansas Tech’s financial statements and the footnotes thereto.

The financial statements of the University as for the fiscal years ending June 30, through June 30, 2015 have been audited by the State of Arkansas Legislative Joint Auditing Committee, Division of Legislative Audit. Audited financial statements may be obtained at the Arkansas Division of Legislative Audit’s website (currently www.arklegaudit.gov using the search term “Southern Arkansas University”). The unaudited financial statements of the University for the fiscal year ended June 30, 2016 are attached as Appendix E, and the audited financial statements of the University for the fiscal year ended June 30, 2015 are attached as Appendix F. The following is a summary of financial information for the University.

Summary of Revenues, Expenses and Changes in Net Assets. The following table contains a summary of the revenues, expenses and changes in net assets for the University for the past four fiscal years:

	<u>2016 (unaudited)*</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES				
Operating Revenues				
Student tuition and fees	\$19,655,949	\$12,663,767	\$11,058,458	\$10,411,080
Federal grants and contracts	2,942,156	2,707,512	2,719,504	2,457,156
State and local grants and contracts	481,808	535,376	505,761	540,842
Non-governmental grants and contracts	1,939,156	1,517,680	1,250,199	1,522,459
Sales and services of education departments	227,819	96,320	81,921	107,342
Auxiliary enterprises:				
Athletics	122,541	107,573	98,835	80,405
Housing and food service	6,558,807	5,947,569	5,323,528	4,643,356
Bookstore	194,741	209,290	201,397	207,345
Health services	1,340	3,260	4,968	5,116
Student activities	34,629	50,526	19,081	23,709
Other	227,283	160,558	114,907	140,437
Other operating revenues	<u>606,106</u>	<u>656,660</u>	<u>594,920</u>	<u>612,018</u>
Total Operating Revenues	<u>32,992,335</u>	<u>24,656,091</u>	<u>21,973,479</u>	<u>20,751,265</u>
EXPENSES				
Operating expenses:				
Personal services	32,720,263	29,563,737	27,971,975	27,962,911
Supplies and other services	16,562,917	13,863,750	14,773,950	14,265,934
Scholarships and fellowships	2,609,407	2,046,807	2,243,937	2,807,248
Depreciation/amortization	<u>4,269,447</u>	<u>4,163,311</u>	<u>3,684,300</u>	<u>3,197,809</u>
Total Operating Expenses	<u>56,162,034</u>	<u>49,637,605</u>	<u>48,674,162</u>	<u>48,233,902</u>
Operating Income (Loss)	<u>(23,169,699)</u>	<u>(24,981,514)</u>	<u>(26,700,683)</u>	<u>(27,482,637)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	16,883,378	16,846,755	16,725,687	16,675,083
Federal grants	7,531,275	6,860,526	6,786,655	6,637,085
State grants	3,204,611	3,118,059	3,481,620	3,807,023
Non-governmental gifts and grants	914,668	824,753	599,473	676,904
Investment income	157,923	96,814	438,476	318,426
Annuity contribution revenue	511,992	0	(1,501,372)	(1,531,340)
Interest on capital (asset related debt)	(2,142,599)	(2,204,210)	26,482	(7,771)
Gain (Loss) on disposal of net assets	80,788	104,036	0	436
Other nonoperating revenues	0	0	(26,669)	(17,207)
Amortization of bond discount and Deferral on debt defeasance	<u>(36,231)</u>	<u>(30,683)</u>	<u>0</u>	<u>(222,428)</u>
Bond issuance costs	<u>(147,092)</u>	<u>(265,349)</u>	<u>26,530,352</u>	<u>26,336,211</u>
Net Nonoperating Revenues	<u>26,958,713</u>	<u>25,350,701</u>	<u>(170,331)</u>	<u>(1,146,426)</u>
Income before other revenues, expenses, gains/(losses)	3,789,014	369,187	1,721,700	0
Capital appropriations	212,000	500,000	374,550	965,399
Capital gifts and grants	2,077,769	306,792	0	0
Donated assets	<u>829,578</u>	<u>1,630</u>	<u>44,500</u>	<u>24,448</u>
Net increase (decrease) in net position	<u>6,908,361</u>	<u>1,177,609</u>	<u>1,970,419</u>	<u>(156,579)</u>
NET POSITION				
Net Position – beginning of year	41,121,440	45,732,827	43,762,408	44,269,107
Restatement for Accounting change of issuance costs and amortization			0	(350,120)
Restatement for GASB 68 Pension Liability		(5,636,379)	<u>0</u>	<u>0</u>
Restatement Other		<u>(152,617)</u>		
Net Position – Beginning year (restated)	<u>41,121,440</u>	<u>39,943,831</u>	<u>43,762,408</u>	<u>43,918,987</u>
Net Position – End of Year	<u>48,029,801</u>	<u>41,121,440</u>	<u>\$45,732,827</u>	<u>\$43,762,408</u>

* Based on unaudited financial statements for SAU for the Fiscal Year ended June 2016, as prepared by SAU's Office of Financial Services. Historically, adjustments have been made to the unaudited financial statements in connection with annual audits. No assurance can be made that adjustments will not be made in the Fiscal Year ended June 2016 audited financials.

RISK FACTORS

Biennial appropriations by the Arkansas General Assembly are necessary to the continued operation of the University. Therefore, a reduction in such appropriations could result in a need to increase other revenues, in order to provide for payment of debt service and the operation of the University. Should such need arise, the effects on enrollment and revenues cannot be predicted. There can be no assurance that the levels of future appropriations will not impair the ability of the Issuer to make payments on the Bonds.

The collection of revenues of the Issuer is subject to continued enrollment of students and utilization of facilities at necessary levels. These can be subject to change due to economic and demographic factors which are not within the control of the Issuer.

LEGAL MATTERS

Federal Tax Exemption

In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, interest on the 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; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest may be taken into account in computing the federal alternative minimum tax. In rendering its opinion, Bond Counsel will rely on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer and others in connection with the Bonds, and Bond Counsel will assume continuing compliance by the Issuer with certain covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the Bonds from gross revenue under the Code.

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Issuer will covenant to comply with such applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under the Code.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Although Bond Counsel has rendered opinions that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporation and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts, or other financial institutions, or certain recipients of Social Security or Railroad Retirement benefits, are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds. The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation’s alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale, or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of

any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations. Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to certain tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer and certain related entities during the same calendar year, does not exceed \$10,000,000.

The Issuer has designated the Bonds as "qualified tax-exempt obligations" and certified its expectation that the above described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

State Tax Exemption

Bond Counsel is of the opinion that, under existing law, the Bonds and interest thereon are exempt from all Arkansas state, county, and municipal taxes.

Legal Opinions

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Rose Law Firm, a Professional Association, Bond Counsel, whose approving opinion will be delivered with the Bonds.

Legal Proceedings

The Issuer will provide at closing a certificate to the effect that there is no litigation pending seeking to restrain or enjoin the issuance of the Bonds, or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the Issuer to enter into the Indenture or to issue the Bonds, that there is no litigation pending or, to management's knowledge, threatened against the Issuer or its properties.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue

reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

UNDERWRITING

Under a bond purchase agreement entered into by and between the Issuer and the Underwriter, the Bonds are being purchased at a price equal to \$7,928,000.00, (equal to the par amount of the Bonds less the Underwriter's discount of \$72,000.00). The bond purchase agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the 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 Bonds or any proceedings in connection with the issuance thereof and the absence of material adverse changes in the financial or operating condition of the University.

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth inside the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price. In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

MISCELLANEOUS

The Issuer has furnished the information in this Official Statement relating to the operations and finances of the University. The Underwriter has furnished the information in this Official Statement with respect to the public offering price of the Bonds and the information under the caption "Underwriting" herein.

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.

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

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.

**BOARD OF TRUSTEES OF SOUTHERN
ARKANSAS UNIVERSITY**

By: _____
Dr. Trey Berry, President

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

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

“Accountant” means an independent certified public accountant or firm of independent certified public accountants (who may be an Accountant for the Issuer but who is not a trustee, officer, or employee of the Issuer), acceptable to the Trustee.

“Act” means Ark. Code Ann. §§ 6-62-301 *et seq.*

“Additional Bonds” means the additional parity bonds authorized to be issued by the Issuer pursuant to the provisions of the Indenture regarding additional bonds to pay (i) the costs of constructing capital improvements to the University, or (ii) the costs of refunding, to the extent permitted by law, any Outstanding Bonds. See the caption “The Bonds—Additional Bonds” in the Official Statement.

“Annual Debt Service” means, for any Fiscal Year as applied to outstanding Auxiliary Enterprises Revenue Secured 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 Auxiliary Enterprises Revenue Secured Bonds.

“Authorized Denomination” means \$5,000 and any multiple thereof.

“Auxiliary Enterprises” means any revenue producing facility or enterprise owned and operated by the Issuer on the main campus of the University in the City of Magnolia, Arkansas, including, but not limited to, the University’s Housing System, student union building, post office, food service facilities and book store, but as it relates to the Bonds, Auxiliary Enterprises do not include athletic facilities.

“Auxiliary Enterprises Revenues” means revenues of the University shown in its financial statements as “Auxiliary Enterprise Revenues”, excluding athletic revenues and expenses, but otherwise including, without limitation revenues generated by Auxiliary Enterprises but after payment of Current Expenses, as the same become due and payable. The term “Auxiliary Enterprises Revenues” does not include any moneys or investments in the Rebate Fund.

“Auxiliary Enterprises Revenue Secured Bonds” means the Series 2005B Bonds, Series 2012 Bonds, Series 2013-C Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Bonds, and any bonds issued on a parity of security with such bonds.

“Bankruptcy Code” means Title 11 of the United States Code, as it is amended from time to time, and any successor thereto or replacement thereof.

“Bond Counsel” means Rose Law Firm, a Professional Association, Little Rock, Arkansas, or any other firm of attorneys of nationally recognized expertise with respect to tax-exempt obligations of political subdivisions, selected by the Issuer and not unacceptable to the Trustee.

“Bond Register” and “Bond Registrar” shall have the respective meanings specified in the provisions of the Indenture regarding registration of transfer and exchange of Bonds and Persons treated as Bondholders.

“Bond Resolution” means the resolution adopted by the Issuer on February 9, 2017, authorizing the issuance of the Bonds and the execution and delivery of the Indenture.

“Bondholder” or “holder of Bonds” or “owner of Bonds” means the Person who owns a Bond, provided that, pursuant to the provisions of the Indenture regarding registration of transfer and exchange of Bonds and Persons treated as Bondholders, the person in whose name a Bond is registered in the Bond Register shall be regarded for all purposes as such owner.

“Bonds” means the Issuer’s \$8,000,000 Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2017.

“Book Entry Bonds” means that part of a Series for which a Securities Depository or its nominee is the Bondholder.

“Business Day” means any day of the year other than (a) a Saturday or Sunday, (b) any day on which banks located in Little Rock, Arkansas or the city in which the Principal Office of the Trustee is located are required or authorized by law to remain closed, or (c) any day on which the New York Stock Exchange is closed.

“Chairman” means the Chairman of the Issuer.

“Chief Financial Officer” means the Vice President for Finance of the University or any officer designated by the Issuer, by whatever title, to succeed to the duties thereof.

“Code” means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor or successor of the Code, and all Regulations.

“Conditional Redemption” means a redemption where the Issuer has stated in the redemption notice to the Trustee that the Issuer has retained the right to rescind the redemption, as further described in the Indenture. See the caption “The Bonds—Notice of Redemption” in the Official Statement.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of March 14, 2017, by and between the Issuer and the Trustee. See Appendix C—Form of Continuing Disclosure Agreement.

“Counsel” means an attorney-at-law or law firm (who may be Counsel for the Issuer), acceptable to the Trustee.

“Current Expenses” means all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, cost of food served, and properly allocated share of charges for insurance, and all other expenses incident to the operation of the Auxiliary Enterprises, but not including depreciation or general administrative expenses of the University. As it relates to the Bonds, Current Expenses do not include expenses of athletic facilities.

“Debt Service Fund” means the trust fund so designated which is described in the provisions of the Indenture regarding the Debt Service Fund. See the caption “Security for the Bonds—Debt Service Fund” in the Official Statement.

“Debt Service Reserve Requirement” means an amount equal to the average Annual Debt Service payable on each series of Auxiliary Enterprises Revenue Secured Bonds.

“Defeasance Obligations” means obligations of the type described in (a) and (b) of the definition of “Eligible Investments” and which provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“DTC” shall have the meaning given to such term in the Indenture. See Appendix D—Book-Entry Only System.

“Eligible Investments” means: (a) cash (insured at all times by the Federal Deposit Insurance Corporation); (b) obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations, guaranteed Title XI financing, Government National Mortgage Association (GNMA), and State and Local Government Series; (c) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), Federal Housing Administration, and Federal Financing Bank; (d) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), Obligations of the Resolution Funding Corporation (REFCORP), and senior debt obligations of the Federal Home Loan Bank System; (e) U.S. dollar denominated deposit accounts, federal funds, and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (f) commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P, and which matures not more than 270 calendar days after the date of purchase; (g) investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P; (h) pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or (ii) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; and (i) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;

“Event of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by or against the Issuer, as debtor, under the Bankruptcy Code or any other bankruptcy, reorganization, insolvency, or other similar law as now or hereafter in effect.

“Event of Default” means any of the events specified in the provisions of the Indenture regarding the definition of Events of Default to be an Event of Default. See the caption “Event of Default and Remedies—Events of Default Defined” in Appendix B—Summary of Portions of the Indenture. A “default” means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Fiscal Year” means the 12-month period ending on June 30.

“Funds” means the Project Fund, the Debt Service Fund, the Reserve Fund, and the Rebate Fund for each series of Bonds and (a) any account within each such Fund and (b) any other Fund designated as such with respect to a Series.

“Governmental Obligations” means (a) direct obligations of the United States of America, (b) obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by the United States of America, and (c) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (a) or (b).

“Housing System” means all student housing facilities now or hereafter owned and operated by the Issuer at its Magnolia, Arkansas, campus, including without limitation residence halls, dining halls, and student union buildings (and therein any bookstore, snack bar, cafeteria, and post office).

“Immediate Notice” means notice transmitted by electronic means, in writing, by telecopier, or by telephone (promptly confirmed in writing), and received by the party addressed.

“Indenture” means the Trust Indenture, dated as of January 1, 1999, by and between the Issuer and the Trustee, with any amendments or supplements made thereto in accordance with the terms thereof including the Supplemental Trust Indenture dated as of March 14, 2017, by and between the Issuer and the Trustee providing for the Bonds.

“Interest Payment Date” means, (a) with respect to the Bonds, September 1 and March 1 of each year beginning September 1, 2017, (b) for any Additional Bonds, the days designated in the supplemental indenture authorizing such Additional Bonds, (c) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, and (d) for all Bonds any date determined pursuant to the provisions of the Indenture regarding priority of payment following an Event of Default. See the caption “Events of Default and Remedies—Priority of Payment Following Event of Default” in Appendix B—Summary of Portions of the Indenture.

“Issuance Costs” means costs incurred by or on behalf of the Issuer in connection with the issuance of the Bonds including, without limitation, the following: payment of financial, legal, accounting, and appraisal fees, expenses, and disbursements, the Issuer’s fees and expenses attributable to the issuance of the Bonds, the cost of printing, engraving, and reproduction services, legal fees and expenses for Bond Counsel, Issuer’s Counsel, Trustee’s Counsel, and Underwriter’s Counsel, relating to the issuance of the Bonds, the initial or acceptance fee of the Trustee, the fees and disbursements of the Trustee payable in accordance with the Indenture prior to the date of completion of the Project (as determined pursuant to the provisions of the Indenture regarding the Project Fund; see the caption “Funds and Accounts—Project Fund” in Appendix B—Summary of Portions of the Indenture), and all other fees, charges, and expenses incurred in connection with the issuance of the Bonds and the preparation and filing or recording of the Indenture and of any document relating to the issuance of the Bonds.

“Issue Date” means, with respect to the Bonds, the date of issuance and delivery of the Bonds to the Underwriter and, with respect to any Additional Bonds, the date of issuance and delivery of such Additional Bonds to the initial purchasers thereof.

“Issuer Representative” means, the President, the Vice President for Administration, or the Vice President for Finance of the University.

“Issuer” means the Board of Trustees of Southern Arkansas University and its successors and assigns.

“Letter of Representations” means when all of the bonds of a Series are Book Entry Bonds, the Blanket Letter of Representations executed by the Issuer and delivered to the Securities Depository and any amendments thereto or successor blanket agreements between the Issuer and any successor Securities

Depository, relating to a system of Book Entry Bonds to be maintained by the Securities Depository with respect to any bonds, notes, or other obligations issued by the Issuer.

“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 service, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating service designated by the Issuer, with the approval of the Trustee.

“Officer’s Certificate” of the Issuer means a written certificate, statement, request, direction, or order signed in the name of the Issuer by its Chairman, Secretary, an Issuer Representative, or such other person as may be designated and authorized in writing to sign for the Issuer, signed by the President of the University and forwarded to the Trustee.

“Outstanding” in connection with Bonds means, as of the time in question, all Bonds authenticated and delivered under the Indenture, except (A) Bonds theretofore canceled or delivered to the Trustee for cancellation under the provisions of the Indenture regarding cancellation and disposition of Bonds (see the caption “Authorization and Registration of Bonds—Cancellation and Disposition of Bonds” in Appendix B—Summary of Portions of the Indenture), (B) Bonds which are deemed to have been paid in accordance with the provisions of the Indenture regarding defeasance (see the caption “Defeasance” in Appendix B—Summary of Portions of the Indenture), and (C) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the provisions of the Indenture. In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent, or waiver under the provisions of the Indenture, Bonds which are held by or on behalf of the Issuer (unless all of the Outstanding Bonds are then owned by the Issuer) shall be disregarded for the purpose of any such determination.

“Paying Agent” or “Co-Paying Agent” means any national banking association, bank and trust company, or trust company appointed by the Issuer and meeting the qualifications of, and subject to the obligations of, the Trustee in the Indenture. Initially, the Trustee shall be the Paying Agent.

“Person” or “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.

“President” means the person appointed as President of the University.

“Principal Office of any Paying Agent” means the office designated in writing to the Trustee.

“Principal Office of the Trustee” means the designated corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Indenture is 200 E Main St, Magnolia, Arkansas 71753.

“Project” means capital improvements at the University generally consisting of the renovation of an existing building into a living/learning community style residence hall, the acquisition, improvement, and equipping of an additional residence hall, and other related Auxiliary projects.

“Project Costs” or “Cost of the Project” or “Costs” means costs of the Issuer properly attributable to the acquisition and construction of any Project and all expenses preliminary and incidental thereto incurred by the Issuer in connection therewith and in the issuance of the Bonds, including all engineering, fiscal, underwriting, financing, and legal expenses and costs of issuance, printing, and advertising, for which funds may be disbursed from the Project Fund and interest during construction, including but not limited to: (a) Payment of the acquisition or construction costs of any Project; (b) Payment of the initial or acceptance fee of the Trustee; (c) Payment to the Issuer of such amounts, if any, as shall be necessary to reimburse the

Issuer in full for advances and payments theretofore made or costs theretofore incurred by the Issuer for any item of Cost of the Project; (d) Costs for the obtaining of any insurance policy or policies or surety bonds with respect to any Project by the Issuer during the construction of such Project; (e) Payment of audit fees and expenses for maintenance of construction records required to be kept with respect to any Project; (f) Payment of the costs of any necessary litigation and the obtaining of all necessary permits and rulings; (g) Payment of the costs of issuance of the Bonds, including legal, accounting, and fiscal agent and underwriting fees and expenses, payments and fees due under any agreement pursuant to which any Series of Bonds is sold, bond discount, and printing and engraving costs incurred in connection with the authorization, sale, and issuance of the Bonds and preparation of the Indenture or any supplemental indenture pursuant to which the Bonds will be issued; (h) Payment of interest on the Bonds during the period of construction of any Project and for 12 months thereafter (or such different period as may be specified in a supplemental indenture and which is then permitted by law); (i) The amount, if any, to be deposited into the Debt Service Reserve Account pursuant to the Indenture; and (j) Payment of any other costs and expenses during the construction period of any Project and relating to such Project, including fees and expenses of the Trustee and of professional services to comply with the arbitrage rebate requirements of the Code.

“Project Fund” means the trust fund so designated which is described in the Indenture. See the caption “Funds and Accounts—Project Fund” in Appendix B—Summary of Portions of the Indenture.

“Rating Service” means any nationally recognized securities rating service that shall have assigned a rating that is then in effect with respect to the Bonds upon application of the Issuer.

“Rebate Amount” has the meaning ascribed in § 1.148-3(b) of the Regulations and generally means the excess as of any date of the future value of all receipts on nonpurpose investments over the future value of all payments on nonpurpose investments all as determined in accordance with § 1.148-3 of the Regulations.

“Rebate Fund” means the fund so designated which is described in the Indenture. See the caption “Funds and Accounts—Rebate Fund” in Appendix B—Summary of Portions of the Indenture.

“Record Date” means, (a) with respect to any Interest Payment Date described in (a) or (b) of that defined term, (1) in the case of Bonds which are not Book Entry Bonds the Trustee’s close of business on the 15th day of the calendar month next preceding such Interest Payment Date, regardless of whether such day is a Business Day, and (2) in the case of Book Entry Bonds the Trustee’s close of business on the Business Day preceding the Interest Payment Date, and (b) with respect to any other Interest Payment Date, a date selected by the Trustee.

“Regulations” means any applicable Internal Revenue Service Regulations promulgated in proposed, temporary, or final form pursuant to the Code or any corresponding provision of a predecessor or successor statute. Proposed regulations are “applicable” only if, in the event they are adopted in final form, such regulations would apply to the Bonds.

“Reserve Fund” means the trust fund so designated which is described in described in the Indenture. See the captions “Security for the Bonds—Reserve Fund” in the Official Statement and “Funds and Accounts—Reserve Fund” in Appendix B—Summary of Portions of the Indenture.

“Responsible Officer,” when used with respect to the Trustee, means any officer in the corporate trust department (or any successor thereto) of the Trustee, or any other officer or representative of the Trustee customarily performing functions similar to those performed by any of such officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer’s knowledge of and familiarity with the particular subject.

“Revenues” means Auxiliary Enterprises Revenues.

“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 service, “S&P” shall be deemed to refer to any other nationally recognized securities rating service designated by the Issuer, with the approval of the Trustee.

“Series” means a series of bonds so designated in the Indenture.

“Secretary” means the Secretary of the Issuer.

“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 2005B Bonds” means the Issuer’s \$1,350,000 original principal amount Auxiliary Enterprises Revenue Secured Capital Improvement Bonds, Series 2005B.

“Series 2012 Bonds” means the Issuer’s \$5,000,000 original principal amount Auxiliary Enterprises Revenue Secured Capital Improvement Bonds (SAU Project), Series 2012.

“Series 2013-C Bonds” means the Issuer’s \$2,080,000 original principal amount Auxiliary Enterprises Secured Capital Improvement Bonds (SAU Project), Series 2013-C.

“Series 2014 Bonds” means the Issuer’s \$10,000,000 original principal amount Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2014.

“Series 2016 Bonds” means the Issuer’s \$9,135,000 Auxiliary Enterprises Secured Refunding Bonds, Series 2016.

“Series Required Reserve” means, (a) for the Bonds, \$462,336.80, and, (b) for any Series of Additional Bonds, an amount, determined at the time of issuance of such Additional Bonds, equal to the average annual debt service payable on such Additional Bonds; provided, however, that the Series Required Reserve shall not exceed the lesser of (1) 10 percent of the original principal amount of such Additional Bonds and (2) 125 percent of the average annual debt service payment on such Additional Bonds, or such other amount permitted by changes in federal tax law.

“State” means the State of Arkansas.

“Tax Regulatory Agreement” means the agreement or agreements by and between the Issuer and the Trustee presenting the procedures for compliance with section 148 of the Code which are applicable to the Bonds and the Indenture.

“Trust Estate” means all right, title, and interest of the Issuer in and to (a) Auxiliary Enterprises Revenues, (b) all amounts payable to the Trustee with respect to the principal of or redemption premium, if any, or interest on the Auxiliary Enterprises Revenue Secured Bonds upon deposit in the Debt Service Funds for the Auxiliary Enterprises Revenue Secured Bonds from the proceeds of Auxiliary Enterprises Revenue Secured Bonds, (c) investment income with respect to any moneys held by the Trustee in the Project Fund, the Debt Service Fund, and the Reserve Fund for the Auxiliary Enterprises Revenue Bonds, (d) Funds (except for the Rebate Fund), and (e) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered, or hypothecated as and for

additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee.

“Trustee” means the bank or trust company serving as trustee under the Indenture. The original Trustee is Farmers Bank & Trust Company, Magnolia, Arkansas, a state banking association, and its successors.

“Underwriter” means Stephens Inc.

“University” means the Magnolia, Arkansas campus of Southern Arkansas University, an institution of higher education of the State, created and existing pursuant to the laws of the State under the direct control and supervision of the Issuer.

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APPENDIX B

SUMMARY OF PORTIONS OF THE INDENTURE

The following statements are brief summaries of certain provisions of the Indenture. The statements do not purport to be complete, and reference is made to the Indenture, copies of which are available for examination at the offices of the President of the University System, for a full statement thereof.

Authorization and Registration of Bonds

Limitation. No obligations may be issued by the Issuer (a) which are senior in claim on the Trust Estate to the Bonds or (b) which, other than Additional Bonds, have a claim on the Trust Estate in parity with the Bonds. The Issuer reserves the right to issue obligations which are junior or subordinate in claim on the Trust Estate to the Bonds.

Registration of Transfer and Exchange of Bonds; Persons Treated as Bondholders. The Trustee shall act as initial bond registrar (the "Bond Registrar") and in such capacity shall maintain a bond register (the "Bond Register") for the registration and transfer of Bonds. Upon surrender of any Bonds at the Principal Office of the Trustee, together with an assignment duly executed by the current Bondholder of such Bonds or such Bondholder's duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, such Bonds may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of Authorized Denominations, and bearing interest at the same rate and in the same form as the Bonds surrendered for exchange, registered in the name or names requested by the assignee of the then Bondholder; provided the Trustee is not required to exchange or register the transfer of Bonds after the giving of notice calling such Bond for redemption, in whole or in part. The Issuer shall execute and the Trustee shall authenticate any Bonds whose execution and authentication is necessary to provide for exchange of Bonds as described at this caption and the Issuer may rely on a representation from the Trustee that such execution is required.

Any exchange or registration of transfer of Bonds shall be at the expense of the Issuer except that the Trustee may make a charge to any Bondholder requesting such exchange or registration in the amount of any tax or other governmental charge required to be paid with respect thereto but will not impose any other charge.

Prior to due presentment for registration of transfer of any Bond, the Trustee shall treat the Person shown on the Bond Register as owning a Bond as the Bondholder and the Person exclusively entitled to payment of principal thereof and redemption premium, if any, and interest thereon and, except as otherwise expressly provided in the Indenture, the exercise of all other rights and powers of the owner thereof, and neither the Issuer, the Trustee, nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

Temporary Bonds. Prior to the preparation of definitive Bonds of a Series the Issuer may issue temporary Bonds in registered form and in such denominations as the Issuer may determine but otherwise in substantially the form provided for definitive Bonds of such Series with appropriate variations, omissions, and insertions. The Issuer shall promptly prepare, execute, and deliver to the Trustee before the first Interest Payment Date for such Bonds, definitive Bonds and, upon presentation and surrender of Bonds in temporary form, the Trustee shall authenticate and deliver in exchange therefor definitive Bonds of the same maturity for the same aggregate principal amount. Until exchanged for definitive Bonds, Bonds in temporary form shall be entitled to the lien and benefit of the Indenture.

Mutilated, Lost, or Destroyed Bonds. If any Bond has been mutilated, lost, or destroyed, the Issuer shall execute, and the Trustee shall authenticate and deliver to the Bondholder, a new Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated Bond or in lieu of

and in substitution for such lost or destroyed Bond but only if the Bondholder has paid the reasonable expenses and charges of the Issuer and the Trustee in connection therewith and, in the case of a lost or destroyed Bond, (a) filed with the Trustee evidence satisfactory to the Trustee that such Bond was lost or destroyed and (b) furnished to the Trustee indemnity satisfactory to it. If any such Bond has matured or been called for redemption and is payable, instead of issuing a new Bond the Trustee may pay the same without issuing a replacement Bond.

If, after the delivery of such replacement Bond, the original Bond in lieu of which such replacement Bond was issued is presented for payment or registration, the Trustee shall seek to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom and shall be entitled to recover from the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the Trustee or the Issuer in connection therewith.

Cancellation and Disposition of Bonds. The Issuer may deliver Bonds to the Trustee for cancellation at any time and for any reason and the Trustee is authorized to cancel such Bonds. All Bonds that have been paid (whether at maturity or by acceleration, upon redemption, or pursuant to provisions of the Indenture regarding purchase of Bonds by the Issuer; see the caption “Redemption of Bonds—Purchase of Bonds by Issuer” herein) or delivered to the Trustee for cancellation shall not be reissued. Unless otherwise directed by the Issuer, the Trustee shall treat such Bonds in accordance with its document retention policies.

Securities Depository Provisions. The Bonds shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and shall be held in the custody of DTC. The Issuer and the Trustee acknowledge that they have executed and delivered a Letter of Representations with DTC. All payments of principal of and interest on the Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations. The terms and provisions of the Letter of Representations shall govern in the event of any inconsistency between the provisions of the Indenture and the Letter of Representations. The Letter of Representations may be amended without Bondholder consent. All payments of principal of and interest on the Book Entry Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations.

The book-entry registration system for all of the Bonds may be terminated and certificates delivered to and registered in the name of the Beneficial Owners, under either of the following circumstances:

- (a) DTC notifies the Issuer and the Trustee that it is no longer willing or able to act as Securities Depository for the Bonds and a successor Securities Depository for the Bonds is not appointed by the Issuer prior to the effective date of such discontinuation; or
- (b) The Issuer determines that continuation of the book-entry system through DTC (or a successor securities depository) is not in the best interest of the Owners of the Bonds.

In the event a successor Securities Depository is appointed by the Issuer, the Bonds will be registered in the name of such successor securities depository or its nominee. In the event certificates are required to be issued to Beneficial Owners, the Trustee, and the Issuer shall be fully protected in relying upon a certificate of DTC or any DTC participant as to the identity of and the principal amount of Bonds held by such Beneficial Owners.

The Beneficial Owners of Bonds will not receive physical delivery of certificates except as provided in the Indenture. For so long as there is a Securities Depository for the Bonds, all of such Bonds shall be registered in the name of the nominee of the Securities Depository, all transfers of beneficial ownership

interests in such Bonds will be made by the nominee of the Securities Depository, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership of such Bonds is to receive, hold, or deliver any certificate. The Issuer and the Trustee shall have no responsibility or liability for transfers of beneficial ownership interests in such Bonds.

The Issuer and the Trustee will recognize the Securities Depository or its nominee as the Bondholder for all purposes, including receipt of payments, notices, and voting; provided the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Bondholders of a related portion of the Bonds when such votes are received in compliance with an omnibus proxy or other comparable evidence delivered to the Trustee by the Bondholders.

With respect to Book Entry Bonds, the Issuer and the Trustee shall be entitled to treat the Person in whose name such Bond is registered as the absolute owner of such Bond for all purposes of the Indenture, and neither the Issuer nor the Trustee shall have any responsibility or obligation to any Beneficial Owner of such Book Entry Bond. Without limiting the immediately preceding sentence, neither the Issuer nor the Trustee shall have any responsibility or obligation with respect to (a) the accuracy of the records of any Securities Depository or any other Person with respect to any ownership interest in Book Entry Bonds, (b) the delivery to any Person, other than a Bondholder, of any notice with respect to Book Entry Bonds, including any notice of redemption or refunding, (c) the selection of the particular Bonds or portions thereof to be redeemed or refunded in the event of a partial redemption or refunding of part of the Bonds Outstanding, or (d) the payment to any Person, other than a Bondholder, of any amount with respect to the principal of or redemption premium, if any, or interest on Book Entry Bonds.

Redemption of Bonds

Redemption Dates and Prices. The Bonds may not be called for redemption by the Issuer except as provided in the Indenture. Additional Bonds may not be called for redemption by the Issuer except as provided in the supplemental indenture providing for their issuance.

Purchase at Any Time. The Trustee, upon the written request of the Issuer, shall purchase Bonds as specified by the Issuer in the open market at a price not exceeding a price set by the Issuer. Such purchase of Bonds shall be made with funds provided by the Issuer and not with any portion of the Trust Estate. Upon purchase by the Trustee, such Bonds shall be treated as delivered for cancellation pursuant to the provisions of the Indenture regarding cancellation and disposition of Bonds (see the caption “Authorization and Registration of Bonds—Cancellation and Disposition of Bonds” herein). Nothing in the Indenture shall prevent the Issuer from purchasing Bonds on the open market without the involvement of the Trustee and delivering such Bonds to the Trustee for cancellation pursuant to the provisions of the Indenture regarding cancellation and disposition of Bonds. The principal amount of Bonds to be redeemed by optional redemption under the Indenture may be reduced by the principal amount of Bonds purchased by the Issuer and delivered to the Trustee for cancellation at least 45 days prior to the redemption date.

Funds and Accounts

Creation of Funds. The following funds are created by the Indenture and the proceeds of the Bonds and all Auxiliary Enterprises Revenues received by the Trustee are, subject to the provisions of the Indenture regarding priority of payment following an Event of Default (see the caption “Events of Default and Remedies—Priority of Payment Following Event of Default” herein), to be deposited by it in the Funds described in the Indenture and held in trust for the purposes set forth in the Indenture: (a) Project Fund; (b) Debt Service Fund; (c) Reserve Fund; and (d) Rebate Fund.

Project Fund. The Project Fund shall be used for the payment of Project Costs and any future capital acquisitions and improvements to be paid from the proceeds of Additional Bonds. The Project Fund shall

consist of the amounts required or permitted to be deposited therein pursuant to any provision of the Indenture and that portion of the proceeds of the Bonds designated in a certificate of the Issuer signed by its Authorized Representative shall be deposited therein. Separate accounts within the Project Fund shall be maintained by the Trustee for future capital acquisitions and improvements if the Issuer determines that separate accounts are desirable with respect to particular capital acquisitions and improvements or designated portions of capital acquisitions and improvements. Payments from the Project Fund or any account so established shall be made by the Trustee as follows:

(a) Payments from the Project Fund shall be made only upon receipt by the Trustee of a requisition executed by the Issuer. Each such requisition shall state: (i) the name and address of the Person to whom the payment is to be made; (ii) the amount to be paid; (iii) the obligation on account of which the payment is to be made, showing the total obligation, any amount previously paid, and the unpaid balance; (iv) that the obligation was properly incurred and is a proper charge against the Project Fund or the account from which the payment is to be made; (v) that the amount requisitioned is due and unpaid or is to reimburse the Issuer for amounts it has previously paid; and (vi) that, with respect to items covered in the requisition, there are no vendors', mechanics', or other liens, bailment leases, or conditional sale contracts which should be satisfied or discharged before the payments as requisitioned therein are made, or which will not be discharged before the payments as requisitioned therein are made, or which will not be discharged by such payments.

(b) Notwithstanding anything to the contrary in the Indenture, to the extent an Event of Default described in clause (a) or (b) at the caption "Events of Default and Remedies—Events of Default Defined" herein shall have occurred and be continuing and no other moneys are available under the Indenture to cure such Event of Default, moneys on deposit in the Project Fund shall be applied in accordance with the provisions of the Indenture described at the caption "Funds and Accounts—Project Fund" herein. In such event, moneys on deposit in the Project Fund shall be applied by the Trustee in accordance with the provisions of the Indenture regarding events of default and remedies.

Debt Service Fund—Deposits into Debt Service Fund. The Trustee shall deposit into the Debt Service Fund a portion of the proceeds of the Bonds (representing accrued interest) for deposit in such Fund as required by the Indenture upon the delivery of the Bonds (see the caption "Sources and Uses of Funds" in the Official Statement) and all other amounts required or permitted under the Indenture to be deposited in the Debt Service Fund.

Payments by Issuer. On the Business Day prior to each Interest Payment Date, the Issuer shall deposit into the Debt Service Fund from the Student Fee Revenues or the Auxiliary Enterprises Revenues, as appropriate, an amount equal to the principal and interest due on the Bonds on such Interest Payment Date together with the fees and expenses of the Trustee. The required deposits shall be reduced by any amount in the Debt Service Fund available for meeting the purpose for which a deposit is required to be made, including amounts received as accrued interest upon delivery of a Series of Bonds.

Application of Moneys in Debt Service Fund. Moneys on deposit in the Debt Service Fund shall be applied as follows:

- (1) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with redemptions of Bonds;
- (2) to the payment, when due, of the principal of or redemption premium on the Bonds then payable at maturity or upon redemption; and

(3) to the payment of principal of and interest on Bonds purchased by the Issuer pursuant to the provisions of the Indenture described at the caption “Redemption of Bonds—Purchase of Bonds by Issuer” herein.

Reserve Fund—Deposits into Reserve Fund. The Trustee shall initially deposit in the Reserve Fund an amount equal to the Series Required Reserve on the Bonds from the proceeds of the Bonds. Except as described below, in connection with the issuance of any Additional Bonds, the Series Required Reserve shall be recomputed for all Bonds then to be Outstanding, including the Additional Bonds then being issued, and any required increase in the amount on deposit in such Fund shall be funded at settlement for the Additional Bonds. The amount of any withdrawal for the purpose described in (1) below shall be restored by the Issuer in no more than 12 substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal. In addition, if the fair market value of the investments in the Reserve Fund is less than the Series Required Reserve on all Bonds Outstanding on any valuation date in accordance with the provisions of the Indenture described at the caption “Investment or Deposit of Funds—Valuation of Funds” herein, the difference between such Series Required Reserve and the value of the Reserve Fund shall be restored by the Issuer in no more than 6 equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the valuation revealing the deficiency is made. Upon the making of any monthly deposit to restore a withdrawal or deficiency, the Issuer, at its cost, may direct the Trustee to recompute the value of the assets in the Reserve Fund, in which event the remaining amount to be restored, if any, after taking the new valuation into account shall be deposited in equal monthly installments over the balance of the restoration period.

Application of Moneys in Reserve Fund. Moneys on deposit in the Reserve Fund shall be applied as follows:

(1) On the date of each required payment from the Debt Service Fund, moneys in the Reserve Fund shall be applied to cure any deficiency in the Debt Service Fund;

(2) Upon delivery of an Officer’s Certificate of the Issuer delivered to the Trustee, any amount in the Reserve Fund in excess of the Series Required Reserve on all Outstanding Bonds on any valuation date shall be (A) transferred to the Debt Service Fund and credited against the payments next becoming due (in direct order) under the Indenture in respect of the principal of or redemption premium, if any, or interest on the Bonds or any Additional Bonds, or (B) applied as may be specified in an Officer’s Certificate of the Issuer if such Certificate is accompanied by an opinion of Bond Counsel to the effect that such application will not cause interest on any Series of Bonds to be includable in gross income for federal income tax purposes; and

(3) In each month during the 12-month period preceding the final maturity date of any Series of Bonds, moneys held in the Reserve Fund shall be credited against the payments otherwise due under the Indenture in respect of principal of and redemption premium, if any, and interest on such Series of Bonds and shall be transferred to the Debt Service Fund for the payment of such principal, redemption premium, and interest; provided, however, that no such credit shall be given and no such transfer shall be made if and to the extent that, immediately prior to such crediting and transfer, the amount on deposit in the Reserve Fund is not at least equal to the Series Required Reserve on all Bonds, less the amounts previously transferred to the Fund during such 12-month period pursuant to this paragraph.

Additional Bonds. Any deposit made in connection with the issuance of Additional Bonds under the Indenture may, if authorized under the supplemental indenture providing for the issuance of the

Additional Bonds, be deposited into a separate, segregated account within the Reserve Fund, provided that all accounts within the Reserve Fund shall be held for the equal and proportionate benefit of all Bondholders and that the aggregate amount on deposit in all such accounts shall meet the requirements of the Indenture described at this caption. Any supplemental indenture providing for the establishment of such separate accounts may contain such further provisions as may be necessary or appropriate for the proper administration of such accounts, including provisions establishing priorities for the application of amounts on deposit in the various accounts (including investment income) for the purposes set forth in the Indenture and described at this caption.

Credit Facility. The Issuer shall be permitted to substitute a letter of credit, surety bond, or other credit enhancement (each, a “credit facility”) for funds on deposit in the Reserve Fund, provided that:

(1) the credit facility (including any replacement credit facility) is issued by a bank, trust company, national banking association, or insurance company whose unsecured long term debt obligations (in the case of a bank, trust company, or national banking association) or whose claims paying abilities (in the case of an insurance company) are rated by a Rating Service, at the time the credit facility is issued and at the time of each extension or renewal thereof, in a rating category at least equal to the rating category assigned by such Rating Service to the Bonds at the Closing Date, determined without regard to credit enhancement, if applicable, but in no event lower than an “investment grade” rating category, or the Rating Service otherwise provides evidence to the Trustee that the credit facility shall not result in a decrease or withdrawal of the rating on the Bonds;

(2) the issuer of the credit facility does not receive as security for any reimbursement obligation in respect of the credit facility any lien, security interest, or other similar right or interest in any property which is superior to the rights of the Trustee in respect of such property;

(3) the credit facility (including any replacement credit facility, if provided by a different issuer) has an initial term of not less than three years and any extension, renewal, or replacement (if provided by the same issuer) thereof has a term of not less than one year

(4) the Trustee is authorized and has the duty and right to draw on the credit facility to satisfy the purposes for which the Reserve Fund was established; and

(5) The Trustee shall receive an opinion of Counsel to the effect that all of the requirements set forth above have been satisfied.

Upon such substitution, funds on deposit in the Reserve Fund which, when added to the face amount of the credit facility, exceed the Series Required Reserve on all Outstanding Bonds shall be applied as described in (2) at “Application of Moneys in Reserve Fund” above. Thereafter, the credit facility shall be considered a part of the Reserve Fund and the amount available thereunder shall be included in any calculations of the amount required to be retained in the Reserve Fund; provided that, (A) if the sum of the amount available under the credit facility and the amount of moneys on deposit in the Reserve Fund exceeds the amount required to be on deposit as described at “Deposits into Reserve Fund” above, the Issuer shall be permitted (i) to cause the amount available under the credit facility to be reduced by an amount equal to such excess, or (ii) to direct that the excess moneys be applied as described in (2) at “Application of Moneys in Reserve Fund” above, and (B) if the credit facility is not extended, renewed, or replaced at least six months prior to its scheduled expiration or termination date, the Trustee shall, not later than 45 days prior to such date, draw on the credit facility for the full amount thereof.

Priority of Draws. If there are cash and investments on deposit in the Reserve Fund in addition to a credit facility, such cash and investments will be drawn on prior to any draws on such credit facility.

Revenues to Be Held for All Bondholders, With Certain Exceptions. Until applied as provided in the Indenture and except where moneys have been deposited with or paid to the Trustee pursuant to an instrument restricting the application of such moneys to particular Bonds, the moneys and investments held in all Funds (other than Rebate Fund) established under the Indenture and the proceeds of any remedies exercised under the provisions of the Indenture regarding events of default and remedies shall be held in trust pursuant to the terms of the Indenture for the equal and proportionate benefit of the holders of all Outstanding Bonds, except that: (a) on and after the date on which the interest or redemption premium on or principal of any particular Bond or Bonds is due and payable from the Debt Service Fund or, with respect to which a call for redemption has been given and funds for such redemption have been deposited with the Trustee, the unexpended balance of the amount deposited or reserved in the Debt Service Fund for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Bondholder or Bondholders entitled thereto; and (b) any special redemption fund established in connection with the defeasance of any Bonds in accordance with the provisions of the Indenture regarding defeasance shall be held for the benefit of the holders of Bonds being defeased.

Rebate Fund. The Issuer covenants to pay directly to the government of the United States of America all amounts due in respect of “arbitrage rebate” under section 148(f) of the Code with respect to the Bonds. Accordingly, no amounts shall be deposited in the Rebate Fund provided, however, that the Issuer may in the future direct the Trustee to deposit in the Rebate Fund amounts for any or all Series of Bonds (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate) if (a) required under any amendments to section 148(f) of the Code, (b) the Issuer fails to make any arbitrage rebate payments to the government of the United States of America, or (c) the Issuer otherwise agrees that the funding of the Rebate Fund is desirable and appropriate. The Rebate Fund is a trust fund but amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under section 148 of the Code and to pay costs related to the calculation of the amounts due. Upon satisfaction of the Issuer’s covenants described above, any amounts remaining in the Rebate Fund shall be applied in accordance with the Indenture and described at Appendix B—Summary of Portions of the Indenture—Funds and Accounts—Repayment to the Issuer from Amounts Remaining in Any Funds” herein.

Repayment to the Issuer from Amounts Remaining in Any Funds. Any amounts remaining in any Funds after all of the Outstanding Bonds shall be deemed paid and discharged under the provisions of the Indenture and after payment of all fees, charges, and expenses of the Trustee, the Bond Registrar, and any Paying Agents and of all other amounts required to be paid under the Indenture, shall be paid to the Issuer as provided in the Indenture to the extent that such amounts are in excess of those necessary to effect the payment and discharge of the Outstanding Bonds.

Disposition of Unclaimed Funds. Notwithstanding any provisions of the Indenture, and subject to applicable unclaimed property laws, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of or redemption premium, if any, or interest on the Bonds remaining unclaimed for three years after the payment thereof: (a) shall be reported and disposed of by the Trustee in accordance with applicable unclaimed property laws; or (b) to the extent permitted by applicable law, shall be paid to the Issuer, whereupon all liability of the Issuer and the Trustee with respect to such money shall cease, and the holders of the Bonds shall thereafter look solely to the Issuer for payment of any amounts then due. All moneys held by the Trustee or any Paying Agent and subject to the provisions of the Indenture described at this caption shall be held uninvested and without liability for interest thereon.

Additional Funds and Accounts. In addition to the funds and accounts specifically authorized under the Indenture, the Trustee shall have the authority to create and maintain such other funds and accounts as it may deem necessary for proper administration under the Indenture.

Investment or Deposit of Funds

Deposits and Security Therefor. All moneys received by the Trustee under the Indenture for deposit in any Fund established under the Indenture shall be considered trust funds. All moneys on deposit with the Trustee shall, to the extent not insured, be secured in the manner required or permitted by State or other applicable law. Subject to the foregoing requirements as to security, if at any time the commercial department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive and secure them as aforesaid and the deposits of which are insured by the Federal Deposit Insurance Corporation. All security for deposits shall be perfected in such manner as may be required or permitted under applicable law in order to grant to the Trustee a perfected security interest in such deposits.

Investment or Deposit of Funds. Moneys on deposit in the Funds established pursuant to the Indenture shall be invested and reinvested by the Trustee as follows:

(a) All moneys on deposit in Funds shall be invested in Eligible Investments which shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the holder, on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture.

(b) All purchases or sales of Eligible Investments shall be made at the direction of the Issuer (given in writing or orally, confirmed in writing), or in the absence of such direction, by the Trustee in those Eligible Investments described in paragraphs (a), (b), (c), or (f) of the definition thereof payable on demand.

(c)(1) Any securities or investments held by the Trustee may be transferred by the Trustee, if required in writing by the Issuer, from any of the Funds or accounts established by the Indenture to any other Fund or account established by the Indenture at the then current market value thereof without having to be sold and purchased or repurchased; provided, however, that after any such transfer or transfers, the investments in each such Fund or account shall be in accordance with the provisions as stated in the Indenture; and (2) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption premiums, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose.

(d) Neither the Issuer nor the Trustee shall be accountable for any depreciation in the value of Eligible Investments or any losses incurred upon any authorized disposition thereof.

(e) Subject to the foregoing, the Trustee is expressly authorized to invest moneys in two or more Funds in a single investment, provided that a portion of the investment allocable to each such Fund, and all payments received with respect to such allocable portion, shall be applied in accordance with the applicable provisions governing such Fund under the Indenture.

(f) Unless otherwise provided in an applicable supplemental indenture, prior to the completion of the Project, investment income on amounts on deposit in the Reserve Fund and the Debt Service Fund shall be transferred to the Project Fund to the extent that no deficiency will exist in the Reserve Fund or the Debt Service Fund after such transfer or applied to such other purpose or purposes as directed by the Issuer with an opinion of Bond Counsel that such application will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. After completion of the Project, investment income on amounts on deposit in the Reserve Fund shall be transferred to the Debt Service Fund to the extent that no deficiency will exist in the Debt Service Reserve Fund after

such transfer. In all other situations, earnings from investment shall remain in the respective Fund where earned.

Valuation of Funds. The Trustee shall determine the value of the assets in each of the Funds established under the Indenture on, or on a date not earlier than three days prior to, (a) September 1 of each year and (b) the date of settlement for a Series of Additional Bonds. As soon as practicable after each such valuation date, the Trustee shall furnish to the Issuer a report of the status of each Fund as of such date. The Trustee shall also advise the Issuer at such time of the amount then available in the Debt Service Fund as a credit against future deposits prior to the next valuation date in direct order of the due dates of such deposits. In computing the value of assets in any Fund, investments shall be valued at the fair market value thereof and shall include accrued but unpaid interest on each investment, and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such Funds. Upon the request of the Issuer, the Trustee shall also provide the Issuer with monthly or other periodic statements showing amounts deposited into and withdrawn from each Fund, the investments made with amounts in each Fund, and the investment income received from such investments.

For the purpose of determining the amount in any fund, all Eligible Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, or Citigroup Global Markets Inc.. As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and as to any investment not specified above: the value thereof established by prior agreement among the Issuer and the Trustee.

Covenants and Agreements of the Issuer

In addition to any other covenants and agreements of the Issuer contained in the Indenture, the Issuer further covenants and agrees with the Bondholders and the Trustee as follows:

Payment of Principal, Interest, and Redemption Premium. The Issuer will pay all principal of and redemption premium, if any, and interest on the Bonds or cause them to be paid, solely from the sources provided in the Indenture, on the dates, at the places, and in the manner provided in the Indenture.

Recordings and Filings. At the expense of the Issuer, the Issuer will cause the Indenture, or any related instruments or documents relating to the assignment made by the Issuer under the Indenture to secure the Bonds, to be recorded and filed in the manner and in the places which may be required by law in order to preserve and protect fully the security of the holders of the Bonds and the rights of the Trustee under the Indenture.

Inspection of Project Books. All books, instruments, and documents in the Issuer's possession relating to the Project and the Auxiliary Enterprises Revenues shall be open to inspection at all times during the Issuer's regular business hours by any accountants or other agents of the Trustee which the Trustee may designate from time to time or by the holders of 25 percent or more in principal amount of any Series of the Bonds then Outstanding, or a designated representative thereof.

Register. At reasonable times and under reasonable regulations established by the Bond Registrar, the Bond Register may be inspected and copied by or delivered to the Issuer, the Trustee, by holders of 25 percent or more in principal amount of any Series of the Bonds then Outstanding, or a designated representative thereof.

Issuer Not to Adversely Affect Exclusion from Gross Income of Interest on the Bonds. The Issuer covenants that it will take, or require to be taken, all actions that may be required of the Issuer for the interest on the Bonds to be and remain excludable from the gross income for federal income tax

purposes and will not take or authorize to be taken any actions that would adversely affect that exclusion under the provisions of the Code.

Events of Default and Remedies

Events of Default Defined. Each of the following is an “Event of Default” under the Indenture:

(a) Default in the payment of any installment of interest on any Bond when it becomes due and payable;

(b) Default in the payment of principal of (or redemption premium, if any, on) any Bond when it becomes due and payable;

(c) Subject to the provisions of the Indenture regarding notice and opportunity to cure certain defaults (see the caption “Events of Default and Remedies—Notice and Opportunity to Cure Certain Defaults” herein), default in the performance or breach of any covenant, warranty, or representation of the Issuer contained in the Indenture (other than a default described in under (a) and (b) above); or

(d)(1) An Event of Bankruptcy of the Issuer; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar official of the Issuer or of any substantial portion of its property; or (3) the ordering of the winding up or liquidation of its affairs and the continuance of any such involuntary filing, appointment, or order unstayed and in effect for a period of 60 consecutive days.

Acceleration. If an Event of Default under the Indenture occurs and is continuing, the Trustee may, and shall, upon the written request to the Trustee by the holder or holders of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding, subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), by written notice to the Issuer, declare the principal of the Bonds and all interest accrued thereon to the date of acceleration to be immediately due and payable.

Rescission of Acceleration. At any time after such a declaration of acceleration has been made and before the entry of a judgment or decree for payment of the money due, the Trustee may, or the holders of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding may by written notice to the Issuer and the Trustee, and subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), direct the Trustee to, rescind and annul such declaration and its consequences if:

(1) there has been paid to or deposited with the Trustee by or for the account of the Issuer, or provision satisfactory to the Trustee in reliance upon an opinion of Counsel has been made for the payment, of a sum sufficient to pay: (A) all overdue installments of interest on the Bonds; (B) the principal of and redemption premium, if any, on any Bonds which have become due other than by such declaration of acceleration and interest thereon; (C) to the extent lawful, interest upon overdue installments of interest and redemption premium, if any; and (D) all sums paid or advanced by the Trustee under the Indenture, together with the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents, and Counsel prior to the date of notice of rescission; and

(2) all Events of Default, other than the nonpayment of principal of and redemption premium, if any, and interest on the Bonds which have occasioned such acceleration, have been cured or waived.

Subsequent Defaults. No such rescission and annulment shall affect any subsequent default or impair any consequent right.

Suits. The Trustee, upon the occurrence of an Event of Default may, and upon the written request of the holders of not less than 25 percent in aggregate principal amount of the Bonds Outstanding, and subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), shall proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Indenture or therein or in aid of the execution of any power in the Indenture or therein granted, or for the enforcement of any other appropriate legal or equitable remedy, and the Trustee in reliance upon the advice of Counsel may deem most effective to protect and enforce any of the rights or interests of the holders of the Bonds under the Bonds or the Indenture.

Other Proceedings. Without limiting the generality of the foregoing, the Trustee shall at all times have the power to institute and maintain such proceedings as it may deem expedient: (1) to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture; and (2) to protect its interests and the interests of the Bondholders in the Trust Estate and in the issues, profits, revenues, and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule, or order which may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule, or order would impair the Trust Estate or be prejudicial to the interests of the Bondholders or the Trustee.

Marshaling of Assets. Upon the occurrence of an Event of Default, all moneys in all Funds (other than moneys in the Rebate Fund) shall be available to be utilized by the Trustee in accordance with the provisions of the Indenture regarding events of default and remedies. The rights of the Trustee under the Indenture regarding compensation and expenses of the Trustee (see the caption “The Trustee—Compensation and Expenses of the Trustee” herein) shall be applicable. During the continuance of any such Event of Default, all provisions of the Indenture relating to the utilization of Funds shall be superseded by the provisions of the Indenture regarding events of default and remedies. Subsequent to the curing or waiver of any such Event of Default, the provisions of the Indenture relating to utilization of Funds, including the provisions of the Indenture regarding funds and accounts shall be reinstated.

Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding under the Bankruptcy Code relating to the Issuer or any property of the Issuer, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Issuer for the payment of overdue principal, redemption premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

(1) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of the Indenture and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents, and Counsel) and of the holders allowed in such proceeding; and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator, or similar official in any such judicial proceeding is authorized by each holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its

agents, and Counsel, and any other amounts due the Trustee under the Indenture regarding compensation and expenses of the Trustee (see the caption “The Trustee—Compensation and Expenses of the Trustee” herein).

No provision of the Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any holders of the Bonds any plan of reorganization, arrangement, adjustment, or composition affecting any of the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder in any proceeding described above.

Possession of Bonds Not Required. All rights under the Indenture and the Bonds may be enforced by the Trustee without possession of any Bonds or the production of them at trial or other proceedings. Any proceedings instituted by the Trustee may be brought in its name for itself as representative of the Bondholders without the necessity of joining Bondholders as parties, and any recovery resulting from such proceedings shall, subject to the provisions of the Indenture regarding priority of payment following an Event of Default (see the caption “Events of Default and Remedies—Priority of Payment Following Event of Default” herein), be for the ratable benefit of the Bondholders.

Notice and Opportunity to Cure Certain Defaults. No default described in (c) at the caption “Events of Default and Remedies—Events of Default Defined” herein shall constitute an Event of Default until written notice of such default shall have been given to the Issuer by the Trustee or by the holders of at least 25 percent in aggregate principal amount of the Bonds Outstanding, and the Issuer shall have had 30 days after receipt of such notice to correct such default or cause such default to be corrected, and shall have failed to do so. In the event, however, that the default be such that it cannot be corrected within such 30 day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and diligently pursued (as determined by the Trustee) until the default is corrected. The Trustee shall send a copy of each such notice to the Issuer, but receipt of such notice by the Issuer shall not be a condition precedent to further action by the Trustee.

Priority of Payment Following Event of Default. If at any time after the occurrence of an Event of Default the moneys held by the Trustee under the Indenture shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable, whether by their terms or as a result of acceleration pursuant to the Indenture as described at the caption “Events of Default and Remedies—Additional Remedies” herein, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of remedies in the Indenture or otherwise, shall, subject to the provisions of the Indenture described in the last two paragraphs of this caption, be applied by the Trustee as follows:

(1) first, to the payment of all amounts due the Trustee under the Indenture (see the caption “The Trustee—Compensation and Expenses of the Trustee” herein);

(2) second, to the payment of all installments of interest on the Bonds then due and payable in the order in which such installments became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installments, without discrimination or preference; and

(3) third, to the payment of the unpaid principal amount of any of the Bonds which shall have become due and payable, in the order of due dates (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest upon the principal amount of the Bonds from the respective dates upon which they shall have become due and payable, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular due date, together with

such interest, then to the payment first of such interest, ratably, according to the amount of principal due on such date, without any discrimination or preference.

If the principal of all Bonds shall have become due and payable, whether by their terms or by a declaration of acceleration, and subject to the provisions of the Indenture described in (1) above regarding payment to the Trustee, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Whenever moneys are to be applied pursuant to the provisions of the Indenture described in this caption, the Trustee may, in its discretion, establish and maintain a reserve for future fees and expenses, and may apply moneys to be distributed at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix a date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates, and for which moneys are available, shall cease to accrue. The Trustee shall also select a Record Date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such Record Date and payment date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Bondholders May Direct Proceedings. The owners of a majority in aggregate principal amount of the Bonds Outstanding shall, subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that such direction shall not be in conflict with any rule of law or the Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unduly prejudicial to the rights of Bondholders not parties to such direction or would subject the Trustee to personal liability. Notwithstanding the foregoing, the Trustee shall have the right to select and retain Counsel of its choosing to represent it in any such proceedings. The Trustee may take any other action which is not inconsistent with any direction under the Indenture as described at this caption.

Limitations on Rights of Bondholders. No Bondholder shall have any right to pursue any other remedy under the Indenture unless: (1) an Event of Default shall have occurred and is continuing; (2) the owners of not less than 25 percent in aggregate principal amount of all Bonds then Outstanding have requested the Trustee, in writing, to exercise the powers granted in the Indenture or to pursue such remedy in its or their name or names; (3) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses, and liabilities reasonably anticipated to be incurred; (4) the Trustee has declined to comply with such request, or has failed to do so, within 60 days after its receipt of such written request and offer of indemnity; and (5) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The provisions of the Indenture described above are conditions precedent to the exercise by any Bondholder of any remedy under the Indenture. The exercise of such rights is further subject to the provisions of the Indenture described at the captions “Events of Default and Remedies—Bondholders May Direct Proceedings,” “Unconditional Right of Bondholder to Receive Payment,” and “Delay or Omission Not Waiver” herein. No one or more Bondholders shall have any right in any manner whatever

to enforce any right under the Indenture, except in the manner provided in the Indenture. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner provided in the Indenture for the equal and ratable benefit of the Bondholders of all Bonds Outstanding.

Unconditional Right of Bondholder to Receive Payment. Notwithstanding any other provision of the Indenture, any Bondholder shall have the absolute and unconditional right to receive payment of principal of and redemption premium, if any, and interest on the Bonds on and after the due date thereof, and to institute suit for the enforcement of any such payment.

Restoration of Rights and Remedies. If the Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under the Indenture, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Bondholder, then the Issuer, the Trustee, and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions under the Indenture, and all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

Rights and Remedies Cumulative. No right or remedy conferred upon or reserved to the Trustee in the Indenture is intended to be exclusive of any other right or remedy, but each such right or remedy shall, to the extent permitted by law, be cumulative of and in addition to every other right or remedy given under the Indenture or now or hereafter existing at law, in equity, or otherwise. The assertion or employment of any right or remedy under the Indenture shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Delay or Omission Not Waiver. No delay or omission by the Trustee or any Bondholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of such Event of Default. Every right and remedy given by the provisions of the Indenture regarding events of default and remedies or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Bondholders, as the case may be.

Waiver of Defaults. The holders of a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee and subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), waive any existing default or Event of Default and its consequences, except an Event of Default described in (a) or (b) at the caption “Events of Default and Remedies—Events of Default Defined” herein. Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any default or Event of Default shall extend to or effect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

Notwithstanding any provision of the Indenture, in no event shall any Person, other than all of the affected Bondholders, have the ability to waive any Event of Default under the Indenture if such event results or may result, in the opinion of Bond Counsel, in interest on any of the Bonds becoming includable in gross income for federal income tax purposes.

Notice of Events of Default. If an Event of Default occurs of which the Trustee has or is deemed to have notice under the provisions of the Indenture described in (h) at the caption “The Trustee—Certain Rights of the Trustee” herein, the Trustee shall give Immediate Notice thereof to the Issuer. Within 30 days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each holder of Bonds then Outstanding, provided, however, that except in the instance of an Event of Default described in (a), (b), or (c) at the caption “Events of Default and Remedies—Events of Default Defined” herein, the Trustee may withhold such notice to Bondholders if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests

of such Bondholders, and provided, further, that notice to Bondholders of any Event of Default described in (c) at the caption “Events of Default and Remedies—Events of Default Defined” herein shall be subject to the provisions of the Indenture regarding notice and opportunity to cure certain defaults (see the caption “Events of Default and Remedies—Notice and Opportunity to Cure Certain Defaults” herein).

The Trustee

Duties and Liabilities of the Trustee. Prior to the occurrence of an Event of Default of which it has or is deemed to have notice under the Indenture, and after the curing of any Event of Default which may have occurred:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine same to determine whether or not they conform to the requirements of the Indenture.

In case an Event of Default of which the Trustee has or is deemed to have notice under the Indenture has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person’s own affairs.

No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) the provisions described in this paragraph shall not be construed to limit the effect of those described in the first paragraph above;

(2) the Trustee is not liable for any error of judgment made in good faith by a Responsible Officer, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Bondholders under any provision of the Indenture relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture; and

(4) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of the Indenture described at this caption.

Certain Rights of the Trustee. Except as otherwise provided in the Indenture and described at the caption “The Trustee—Duties and Liabilities of the Trustee” herein:

(a) the Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order, or demand of the Issuer under the Indenture shall be sufficiently evidenced by an Officer's Certificate (unless other evidence thereof is specifically prescribed) and any resolution of the board of directors of the Issuer may be sufficiently evidenced by a copy thereof certified by an Issuer Representative or the Chairman or Secretary of the Issuer, as appropriate;

(c) whenever in the administration of the Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Indenture, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with Counsel and the written advice of such Counsel or an opinion of Counsel shall be full and complete authorization and protection for any action taken, suffered, or omitted by it in good faith and in accordance with such advice or opinion;

(e) the Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondholders unless such holders have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount, and otherwise with respect to the costs, expenses, and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the holders of 25 percent in aggregate principal amount of the Bonds;

(f) the Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records, and premises of the Issuer, in person or by agent or attorney;

(g) the Trustee may execute any of its trusts or powers or perform any duties under the Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in the Indenture and described at the caption "The Trustee—Compensation and Expenses of the Trustee" herein", such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;

(h) the Trustee is not required to take notice or deemed to have notice of any default or Event of Default under the Indenture, except Events of Default described in (a) and (b) at the caption "Events of Default and Remedies—Events of Default Defined" herein, unless a Responsible Officer of the Trustee has actual notice thereof or has received notice in writing of such default or Event of Default from the Issuer or the holders of at least 25 percent in aggregate principal amount of the Outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no default or Event of Default exists;

(i) the Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under the Indenture;

(j) in the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of the Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(k) the Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Indenture shall extend to the Trustee's officers, directors, agents, attorneys, and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of the Indenture, and final payment of the Bonds;

(l) The permissive right of the Trustee to take the actions permitted by the Indenture shall not be construed as an obligation or duty to do so; and

(m) except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

Trustee Not Responsible for Recitals. The recitals contained in the Indenture and in the Bonds (other than the certificate of authentication on the Bonds) are statements of the Issuer and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition, or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title, or interest of the Issuer therein, the security provided thereby or by the Indenture, the technical or financial feasibility of the Project, the compliance of the Project with the Act, or the tax-exempt status of the Bonds. The Trustee is not accountable for the use or application by the Issuer of any of the Bonds or the proceeds of the Bonds or for the use or application of any moneys paid over by the Trustee in accordance with any provision of the Indenture.

Trustee May Own Bonds. The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold, and deal in any of the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the Issuer and may act as depository, trustee, or agent for any committee of Bondholders secured by the Indenture or other obligations of the Issuer as freely as if it were not Trustee.

Compensation and Expenses of the Trustee. The Issuer covenants and agrees:

(a) to pay to the Trustee compensation for all services rendered by it under the Indenture and under the other agreements relating to the Bonds to which the Trustee is a party in accordance with terms agreed to from time to time and, subsequent to default, in accordance with the Trustee's then-current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a trustee of an express trust);

(b) to reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any provision of the Indenture, any other agreement relating to the Bonds to which it is a party, or in complying with any request by the Issuer, or any Rating Service with respect to the Bonds, including the reasonable compensation, expenses, and disbursements of its agents and Counsel, except any such expense, disbursement, or advance attributable to the Trustee's negligence or bad faith; and

(c) to indemnify, defend, and hold the Trustee harmless from and against any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the

acceptance or administration of the office of Trustee under the Indenture, including the costs of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture or thereunder.

In the event the Trustee incurs expenses or renders services in any proceedings under the Bankruptcy Code relating to the Issuer, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the Bankruptcy Code.

As security for the performance of the obligations of the Issuer under the Indenture and described at this caption, the Trustee shall have a lien, which it may exercise through a right of setoff, prior to the Bonds upon all property or funds held or collected by the Trustee pursuant to the Indenture (other than moneys in the Rebate Fund) for the payment of principal of and redemption premium, if any, and interest on the Bonds. The obligations of the Issuer to make the payments described in this caption shall survive discharge of the Indenture and payment in full of the Bonds.

Qualifications of Trustee. There shall at all times be a trustee under the Indenture which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$5,000,000, and subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of the Indenture as described in this caption the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture as described in this caption, it shall resign promptly in the manner and with the effect specified in the provisions of the Indenture regarding the Trustee.

Resignation or Removal of Trustee; Appointment of Successor Trustee. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the provisions of the Indenture regarding the Trustee shall become effective until the acceptance of appointment by the successor Trustee under the Indenture and described at the caption “The Trustee—Acceptance of Appointment by Successor Trustee” herein.

The Trustee may resign at any time by giving written notice to the Issuer. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any holder of a Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Prior to the occurrence and continuance of an Event of Default under the Indenture, or after the curing or waiver of any such Event of Default, the Issuer, the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default under the Indenture, the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the Issuer or such holders, as the case may be, and delivered to the Trustee, the Issuer, and holders of the Outstanding Bonds.

If at any time: (1) the Trustee shall cease to be eligible and qualified under the Indenture (see the caption “The Trustee—Qualifications of Trustee” herein) and shall fail or refuse to resign after written request to do so by the Issuer or the holder of any Bond or (2) the Trustee shall become incapable of

acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property, or affairs for the purpose of rehabilitation, conservation, or liquidation, then in either such case (A) the Issuer may remove the Trustee and appoint a successor Trustee in accordance with the provisions of the Indenture described above; or (B) any holder of a Bond then Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

The Issuer shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each holder of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the corporate trust office of the successor Trustee.

Acceptance of Appointment by Successor Trustee. Every successor Trustee appointed under the Indenture shall execute, acknowledge, and deliver to the Issuer and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, without further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and duties of the predecessor Trustee. Upon the request of the Issuer or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers, and duties of the predecessor Trustee under the Indenture, and shall duly assign, transfer, deliver, and pay over to the successor Trustee all moneys and other property then held under the Indenture, subject, however, to the lien, if any, provided for in the Indenture and described at the caption “The Trustee—Compensation and Expenses of the Trustee” herein. The successor Trustee shall promptly give written notice of its appointment to the holders of all Bonds Outstanding in the manner prescribed in the Indenture, unless such notice has previously been given.

No successor Trustee shall accept appointment as provided in the Indenture and described at this caption unless, as of the date of such acceptance, it is eligible under the provisions of the Indenture. See the caption “The Trustee—Qualifications of Trustee” herein.

Merger or Consolidation of Trustee. Any corporation or association into which the Trustee is merged or with which it is consolidated, resulting from any merger or consolidation to which the Trustee is a party, or succeeding to all or substantially all of the corporate trust business of the Trustee shall be the successor Trustee without the execution or filing of any document or the taking of any further action. Any such successor shall nevertheless be eligible and qualified under the provisions of the Indenture. See the caption “The Trustee—Qualifications of Trustee” herein.

Defeasance

Defeasance. If (a) the principal of any Series of Bonds and the interest due or to become due thereon together with any redemption premium required by redemption of any of the Bonds prior to maturity shall be paid, or is caused to be paid, or is provided for under the provisions of the Indenture regarding deposit of funds for payment of Bonds (see the caption “Defeasance—Deposit of Funds for Payment of Bonds” herein), at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with the provisions of the Indenture regarding defeasance, and (b) all of the covenants, agreements, obligations, terms, and conditions of the Issuer under the Indenture shall have been kept, performed, and observed and there shall have been paid to the Trustee, the Bond Registrar, and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Indenture, then the right, title, and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on request of the Issuer and at the expense of the Issuer, shall release the Indenture and the Trust

Estate and shall execute such documents to evidence such release as may be reasonably required by the Issuer and shall turn over to the Issuer, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds under the Indenture except for amounts required to pay such Bonds or held pursuant to the provisions of the Indenture regarding unclaimed funds See the caption “Funds and Accounts—Disposition of Unclaimed Funds” herein.

Deposit of Funds for Payment of Bonds. If the Issuer deposits with the Trustee moneys or Defeasance Obligations which, together with the earnings thereon, are sufficient to pay the principal of or redemption premium on any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date or Redemption Date, and pays or makes provision for payment of all fees, costs, and expenses of the Issuer and the Trustee due or to become due with respect to such Bonds, all liability of the Issuer with respect to such Bond or Bonds shall cease, such Bond or Bonds shall be deemed not to be Outstanding under the Indenture, the holder or holders of such Bond or Bonds shall be restricted exclusively to the moneys or Defeasance Obligations so deposited, together with the earnings thereon, for any claim of whatsoever nature with respect to such Bond or Bonds, and the Trustee shall hold such moneys, Defeasance Obligations, and earnings in trust for such holder or holders. In determining the sufficiency of the moneys and Defeasance Obligations deposited as described at this caption, together with the earnings thereon, the Trustee shall be entitled to receive, at the expense of the Issuer, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in the provisions of the Indenture regarding defeasance have been satisfied and (2) that defeasance of the Bonds will not affect the tax-exempt status of the Bonds. Upon such defeasance all rights of the Issuer, including its right to provide for optional redemption of Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee.

Notice of Defeasance. In case any of the Bonds, for the payment of which moneys or Defeasance Obligations have been deposited with the Trustee pursuant to the Indenture regarding deposit of funds for payment of Bonds (see the caption “Defeasance—Deposit of Funds for Payment of Bonds” herein), are to be redeemed on any date prior to their maturity, the Issuer shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on the redemption date for such Bonds as provided in the Indenture. See the caption “The Bonds—Notice of Redemption” in the Official Statement.

In addition to the foregoing notice, in the event such Bonds to be redeemed are not by their terms subject to redemption within the next succeeding 65 days, the Trustee shall give further notice that the deposit required by the provisions of the Indenture regarding deposit of funds for payment of Bonds (see the caption “Defeasance—Deposit of Funds for Payment of Bonds” herein) has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the provisions of the Indenture regarding defeasance and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and redemption premium, if any, on said Bonds; such further notice shall be given promptly following the making of the deposit required by the provisions of the Indenture regarding defeasance and described at the captions “Defeasance—Defeasance” and “Deposit of Funds for Payment of Bonds” herein; and such further notice shall be given in the manner set forth in the Indenture and described in (b) at the caption “The Bonds—Notice of Redemption” in the Official Statement; but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of the deposit.

If the Issuer has retained any rights to provide for optional redemption of Bonds on dates other than planned pursuant to a defeasance pursuant to the provisions of the Indenture described at the caption “Defeasance—Deposit of Funds for Payment of Bonds” herein, notice thereof shall be sent to

Bondholders of such Bonds as soon as practicable and not later than any notice required by the Indenture and described above.

Supplemental Indentures

Supplemental Indentures without Bondholders' Consent. The Issuer and the Trustee may from time to time and at any time enter into trust indentures supplemental to the Indenture, without the consent of or notice to any Bondholder, to effect any one or more of the following:

(a) cure any ambiguity, defect, or omission, or correct or supplement any provision in the Indenture or in any supplemental indenture;

(b) grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority, or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee which are not contrary to or inconsistent with the Indenture as theretofore in effect or to subject to the pledge and lien of the Indenture additional revenues, properties, or collateral;

(c) add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power reserved to or conferred upon the Issuer in the Indenture which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(d) permit the appointment of a co-trustee under the Indenture;

(e) modify, alter, supplement, or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939 or the Securities Act of 1933, as from time to time amended, or any similar federal statute hereafter in effect;

(f) make any other change in the Indenture which is determined by the Trustee to be not materially adverse to the interests of the Bondholders and which does not involve a change described in the Indenture regarding supplemental Indenture requiring Bondholders' consent (see the caption "Supplemental Indenture and Amendments—Supplemental Indenture Requiring Bondholders' Consent" herein);

(g) implement the issuance of Additional Bonds as provided by the provisions of the Indenture described at the caption "The Bonds—Additional Bonds" in the Official Statement; or

(h) if a Series of Bonds are all Book Entry Bonds, amend, modify, alter, or replace the Letter of Representations or other provisions relating to Book Entry Bonds.

The Trustee shall not be obligated to enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties, or immunities under the Indenture.

Supplemental Indenture Requiring Bondholders' Consent. The Issuer and the Trustee, at any time and from time to time, may execute and deliver a supplemental indenture for the purpose of making any modification or amendment to the Indenture, but only with the written consent, given as provided in the Indenture and described at the caption "Supplemental Indenture and Amendments—Consents of Bondholders and Opinions" herein, of the holders of at least two-thirds in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as

any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. Notwithstanding the foregoing, no modification or amendment contained in any such supplemental indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon; (b) a reduction in the principal amount of or redemption premium on any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the Trust Estate or the money or assets pledged under the Indenture, or any part thereof; (d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; (e) a reduction in the aggregate principal amount of Bonds of which the consent of the Bondholders is required to effect any such modification or amendment; or (f) a change in the provisions of the provisions of the Indenture regarding waiver of defaults (see the caption “Events of Default and Remedies—Waiver of Defaults” herein). Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Consents of Bondholders and Opinions. Each supplemental indenture executed and delivered pursuant to the provisions of the Indenture regarding supplemental Indenture requiring Bondholders’ consent (see the caption “Supplemental Indenture and Amendments—Supplemental Indenture Requiring Bondholders’ Consent” herein) shall take effect only when and as provided in the Indenture and described at this caption. A copy of such supplemental indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Bondholders, at the expense of the Issuer, by first class mail, postage prepaid, provided that a failure to mail such request shall not affect the validity of the supplemental indenture when consented to as provided in the Indenture. Such supplemental indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Bondholders of the percentage of Bonds specified in the Indenture regarding supplemental Indenture requiring Bondholders’ consent (see the caption “Supplemental Indenture and Amendments—Supplemental Indenture Requiring Bondholders’ Consent” herein) given as provided in the Indenture and described at the caption “Miscellaneous provisions—Consent of Holders” herein, and (b) the opinion of Counsel described in the Indenture and described at the caption “Supplemental Indenture and Amendments—Reliance Upon Counsel’s Opinion with Respect to Supplemental Indenture” herein. Any such consent shall be binding upon the Bondholder giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Bondholder has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent holder of such Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in the Indenture and described in (a) and (b) at this caption.

Notwithstanding anything else in the Indenture, if a supplemental indenture is to become effective under the provisions of the Indenture regarding supplemental Indenture requiring Bondholders’ consent (see the caption “Supplemental Indenture and Amendments—Supplemental Indenture Requiring Bondholders’ Consent” herein) on the same date as the date of issuance of Additional Bonds, the consents of the underwriters or purchasers of such Additional Bonds shall be counted for purposes of such provisions and the purposes described at this caption.

Exclusion of Certain Bonds. Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds

provided for in the provisions of the Indenture regarding supplemental Indenture and amendments, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the provisions of the Indenture regarding supplemental Indenture and amendments or elsewhere in the Indenture. At the time of any consent or other action taken under the provisions of the Indenture regarding supplemental Indenture and amendments or elsewhere in the Indenture, the Issuer shall furnish the Trustee an Officer's Certificate of the Issuer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in the provisions of the Indenture regarding supplemental Indenture and amendments may, and if the Issuer so determines shall, bear a notation by endorsement or otherwise in form approved by the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of such Bond for the purpose at the Principal Office of the Trustee, or upon any transfer of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer by the Trustee as to any such action. If the Issuer shall so determine, new Bonds so modified as in the opinion of the Trustee and the Issuer to conform to such action shall be prepared, authenticated, and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder for Bonds then Outstanding, upon surrender of such Bonds for Bonds of an equal aggregate principal amount and of the same Series, maturity, and interest rate, in any Authorized Denomination.

Reliance upon Counsel's Opinion with Respect to Supplemental Indenture. Subject to the provisions of the Indenture described at the caption "The Trustee—Duties and Liabilities of the Trustee" herein, the Trustee in executing or accepting the additional trusts permitted by the provisions of the Indenture regarding supplemental Indenture and amendments or the modifications thereby of the trusts created by the Indenture may rely, and shall be fully protected in relying on, an opinion of Counsel acceptable to it stating that: (a) the execution of such supplemental indenture is authorized or permitted by the Indenture and (b) all conditions precedent to the execution and delivery of such supplemental indenture have been complied with.

Effect of Supplemental Indenture. Upon the execution of any supplemental indenture under the provisions of the Indenture regarding supplemental Indenture and amendments, the Indenture shall be modified in accordance therewith; such supplemental indenture shall form a part of the Indenture for all purposes; and every holder of any Bond theretofore or thereafter authenticated and delivered under the Indenture shall be bound thereby.

Consent of Holders

Any consent, request, direction, approval, objection, or other instrument required to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and must be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of execution of any such consent, request, direction, approval, objection, or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged the execution thereof, or by an affidavit of any witness to such execution.

(b) The Issuer may establish a Record Date for the purpose of identifying Bondholders entitled to issue any such consent, request, direction, approval, or instrument.

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APPENDIX C

FORM OF

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of March 14, 2017, (the “Agreement”) is executed and delivered by the Board of Trustees of Southern Arkansas University (the “Issuer”) and Farmers Bank and Trust Company, as Trustee (the “Trustee”), in connection with the issuance by the Issuer of its \$8,000,000 Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture (the “Indenture”), between the Issuer and Farmers Bank & Trust Company, Magnolia, Arkansas, as trustee (the “Trustee”). Pursuant to Rule 15c2-12(b)(5) (17 C.F.R. § 240.15c2-12) (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “1934 Act”), the Issuer and the Trustee covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the first paragraph of this Agreement and in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information (which shall be prepared in accordance with GAAP for governmental units as prescribed by GASB which are applicable to information of the type being provided) with respect to the Issuer, provided at least annually, consisting of the financial and operating information contained on Exhibit A, attached hereto, which Annual Financial Information may, but is not required to, include Audited Financial Statements. Any or all of the items listed on Exhibit A may be included in the Annual Financial Information by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been previously provided to the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify in the Annual Financial Information each such other document so included by reference.

“Audited Financial Statements” means the Issuer’s annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by a firm of independent certified public accountants or such auditor as shall be required or permitted by the State of Arkansas.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries) or is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” means the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed a written acceptance of such designation with the Trustee.

“EMMA” means the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

“Fiscal Year” means any period of 12 consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes. At the date of this Agreement the Fiscal Year of the Issuer means the calendar year.

“GAAP” means generally accepted accounting principles.

“GASB” means the Governmental Accounting Standards Board.

“Listed Event” means any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

“Listed Event Notice” means notice of a Listed Event.

“MSRB” means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act, or any successor thereto for purposes of the Rule.

“Obligated Person” means the Issuer.

“Official Statement” means the Issuer’s Official Statement, dated February 22, 2017, relating to the Bonds, as the same may be amended or supplemented.

“Outstanding” in connection with the Bonds means, as of the time in question, all Bonds authenticated and delivered under the Indenture, except (A) Bonds theretofore canceled or delivered to the Trustee for cancellation under the provisions of the Indenture regarding cancellation and disposition of the Bonds, (B) Bonds which are deemed to have been paid in accordance with the provisions of the Indenture regarding defeasance, and (C) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the provisions of the Indenture.

“Participating Underwriters” means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Report Date” means 180 days after the end of each of the Issuer’s Fiscal Year.

“State” means the State of Arkansas.

Section 2. Purpose of this Agreement; Obligated Persons; Agreement to Constitute Contract.

(a) This Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with, and constitutes the written undertaking for the Beneficial Owners required by, the Rule.

(b) The Issuer is an “obligated person” within the meaning of the Rule (and is the only “obligated person” within the meaning of the Rule for whom financial information or operating data is presented in the Official Statement), and agrees to provide Annual Financial Information, Audited Financial Statements, if any, and Listed Event Notices as provided in this Agreement.

(c) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Agreement shall be deemed to be and shall constitute a contract among the Issuer, the Trustee, and the Beneficial Owners from time to time of the Bonds; and the covenants and agreements set forth in this Agreement to be performed on behalf of the Issuer and the Trustee shall be for the benefit of the Beneficial Owners of any and all of the Bonds.

Section 3. Provision of Annual Financial Information.

(a) While any of the Bonds are Outstanding, the Issuer shall, or shall cause the Dissemination Agent to, provide the Annual Financial Information on or before each Report Date, commencing with the Fiscal Year ended June 30, 2017, to the MSRB through EMMA or any similar system acceptable to the SEC. The Annual Financial Information shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Not later than 15 days prior to said date, the Issuer shall provide the Annual Financial Information to the Dissemination Agent (unless the Issuer is serving as Dissemination Agent). The Issuer shall include with each such submission of Annual Financial Information to the Dissemination Agent (unless the Issuer is serving as Dissemination Agent) a written representation to the effect that the Annual Financial Information is the Annual Financial Information required to be provided by it pursuant to this Agreement and that it complies with the applicable requirements of this Agreement. In each case, the Annual Financial Information may be submitted as a single document or as a set of documents, and all or any part of such Annual Financial Information may be provided by specific cross-reference to other documents previously provided to the MSRB, or filed with the SEC and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB, as provided in the definition of Annual Financial Information. Audited Financial Statements may, but are not required to be, provided as a part of the Annual Financial Information.

(b) If not provided as part of the Annual Financial Information, the Issuer shall, or shall cause the Dissemination Agent to, provide the Audited Financial Statements when and if available while any Bonds are Outstanding to the MSRB through EMMA.

(c) If the Issuer is not serving as Dissemination Agent, and if by 15 days prior to a Report Date the Dissemination Agent has not received a copy of the Annual Financial Information, the Dissemination Agent shall contact the Issuer to notify the Issuer that it has not received the Annual Financial Information and remind each party that such information must be provided to the MSRB by the Report Date. For the purposes of determining whether information received from the Issuer is Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the Issuer’s written representation made pursuant to (a).

(d) The Dissemination Agent shall file a report to be maintained by the Issuer certifying that the Annual Financial Information has been provided pursuant to this Agreement and stating the date it was provided.

(e) If the Issuer is not serving as Dissemination Agent, and if the Dissemination Agent does not receive the Annual Financial Information, the Dissemination Agent shall, without further direction or instruction from the Issuer, provide in a timely manner to the MSRB notice of any failure by the Issuer while any Bonds are Outstanding to provide to the Dissemination Agent Annual Financial Information on or before the Report Date.

Section 4. Reporting of Listed Events.

(a) If a Listed Event occurs while any Bonds are Outstanding, the Issuer shall provide, or shall cause to be provided by the Trustee, a 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 SEC. 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

(b) Notwithstanding the foregoing, notice of Listed Events described in subsections (viii) and (ix) of the definition of “Listed Event” need not be given any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Bonds pursuant to the Indenture.

Section 5. Termination of Reporting Obligation. The Issuer’s obligations under this Agreement shall automatically terminate once the Bonds are no longer Outstanding. Any provision of this Agreement shall be null and void in the event the Issuer delivers an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the provisions of such undertaking or portion thereof are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds; provided that the Issuer shall have provided notice of such delivery and the cancellation of such undertaking or provision thereof to the MSRB.

Section 6. Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such 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 Issuer pursuant to this Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Issuer hereby designates the Trustee as the initial Dissemination Agent.

(b) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer and the Dissemination Agent shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer’s information.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived by the parties hereto, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the Issuer shall have provided notice of such delivery and of the amendment to the MSRB. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal reimbursements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

(b) This Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the Beneficial Owners, as determined by a nationally recognized bond counsel, or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment.

The initial Annual Financial Information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

Section 8. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Agreement, any Beneficial Owner may seek mandate or specific performance by court order to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of an “Event of Default” shall not apply to any such failure. The Issuer shall not be liable for any breach of its obligations under this Section unless such breach is the result of willful or reckless actions or omissions. The sole remedy under this Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Agreement shall be an action to compel performance and the Issuer, its members, officers and employees shall incur no liability under this 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 Section 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 10. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Issuer 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 attorneys’ fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 11. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer and the Beneficial Owners from time to time of the Bonds or any interest therein, and shall create no rights in any other person or entity.

Section 12. Interpretation. It being the intention of the parties that there be full and complete compliance with the Rule, this Agreement shall be construed in accordance with the written interpretative guidance and no-action letters published from time to time by the SEC and its staff with respect to the Rule.

Section 13. Counterparts. This 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.

Section 14. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Arkansas, provided that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 15. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

To the Issuer: Southern Arkansas University
100 E University St
Magnolia, AR 71753-5000
Attention: Vice President for Finance

To the Trustee: Farmers Bank & Trust Company
200 E Main St
Magnolia, AR 71753
Attn: Corporate Trust Office

Any person may, by written notice to the other persons listed above, designate a different address or telephone number to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, the undersigned parties have executed this Continuing Disclosure Agreement as of the day and year first written above.

**BOARD OF TRUSTEES OF SOUTHERN
ARKANSAS UNIVERSITY, Issuer**

By: _____
Dr. Trey Berry, President

**FARMERS BANK & TRUST COMPANY,
Trustee**

By: _____
Jackie D. Tarlton, Vice President of
Trust & Asset Management

EXHIBIT A

CONTINUING DISCLOSURE AGREEMENT

The following table illustrates the University’s historical Auxiliary Enterprises Revenues for the past five years:

Fiscal Year	Auxiliary Enterprises Revenues
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____

The following table sets forth the calculation of Auxiliary Enterprises Revenues for Fiscal Year 2016:

Auxiliary Enterprises Revenue For Fiscal Year Ending June 30, 20__

	Housing and Service	Bookstore	Health Services	Student Activities	Other Auxiliary Enterprises¹	Total
Enterprise Revenue						
Student Fees						
Scholarship Allowances						
Auxiliary Revenue ²						
Current Expenses						
Auxiliary Enterprises Revenues						

(1) Other Auxiliary Units include Post Office, Student Organizations, and Student Publications

(2) As reflected in the Fiscal Year 20__ Financial Report (unaudited) founded at Appendix E.

(3) Does not include \$ _____ Net athletic revenues which are excluded from pledged Auxiliary Enterprises Revenue.

(4) Does not include \$ _____ Athletic expenses which are excluded from pledged Auxiliary Enterprises Revenue.

Housing System. Housing and food services are the primary sources of Auxiliary Enterprises Revenues. Current housing at the University consists of residence halls and apartment complexes. Selected information for the residence halls and apartments exclusive of food service charges follows:

Traditional Residence Halls	Fall / Spring (per term)	Summer (per term)	Current Occupancy	Size
Bussey Hall	\$ _____	\$ _____	____%	____ beds
Greene Hall	\$ _____	\$ _____	____%	____ beds
Harrod Hall	\$ _____	\$ _____	____%	____ beds
Honors Hall South	\$ _____	\$ _____	____%	____ beds
Talbot Hall	\$ _____	\$ _____	____%	____ beds
Talley Hall	\$ _____	\$ _____	____%	____ beds
Suite-style Residence Halls	Fall / Spring (per term)	Summer (per term)		
Fincher Hall	\$ _____	\$ _____	____%	____ beds

Honors Hall North	\$ _____	\$ ____	____%	___ beds
University Hall	\$ _____	\$ ____	____%	___ beds
Hybrid-style Residence Halls	Fall / Spring (per term)	Summer (per term)		
Columbia Hall	\$ _____	\$ ____	____%	___ beds
Magnolia Hall	\$ _____	\$ ____	____%	___ beds
Apartments	Fall / Spring (per term)	Summer (per term)		
University Village (per bed)			____%	___ beds
2 bdrm / 9 month lease	\$ _____	\$ ____		
2 bdrm / 12 month lease	\$ _____	\$ ____		
2 bdrm Early (12 in 9)	\$ _____	\$ ____		
4 bdrm / 9 month lease	\$ _____	\$ ____		
4 bdrm / 12 month lease	\$ _____	\$ ____		
4 bdrm Early (12 in 9)	\$ _____	\$ ____		
Family / 9 month lease	\$ _____	\$ ____		
Family / 12 month lease	\$ _____	\$ ____		
Family Early (12 in 9)	\$ _____	\$ ____		

Total enrollment for the current and preceding four fiscal years of SAU has been as follows:

Fiscal Year	20__/20__	20__/20__	20__/20__	20__/20__	20__/20__
Second Summer					
Fall					
Spring					
First Summer					

The current enrollment and tuition revenue generated by on-line programs, as well as historical enrollment for the previous five years for such programs is as follows:

Fiscal Year	Graduate Enrollment	Graduate (Student Semester Credit Hour)	Graduate In State / Graduate Out of State Rates Per Hour	Graduate Revenue
20__				
20__				
20__				
20__				
20__				

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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

DTC, the world’s largest securities 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. 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 is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC 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 (“Indirect 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Trustee or Paying Agent, on 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, Trustee, Issuer, or Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer, Trustee, or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX E
SOUTHERN ARKANSAS UNIVERSITY
FISCAL YEAR 2016 FINANCIAL REPORT (UNAUDITED)

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SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
with comparative figures at June 30, 2015

	For the Year Ended	
	June 30, 2016	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	13,782,386	10,822,761
Accounts receivable, net of allowances of \$220,729 in 2016 and \$308,925 in 2015	3,647,572	3,450,479
Notes and student loans receivable, net	97,445	104,216
Inventories	122,828	136,710
Prepaid expenses	693,632	377,236
Total current assets	<u>18,343,863</u>	<u>14,891,402</u>
Noncurrent assets:		
Cash and cash equivalents	6,542,056	2,754,319
Endowment investments	3,436,747	3,557,982
Deposits with Trustee	4,186,976	6,660,918
Accrued interest receivable	2,388	3,212
Notes and student loans receivable, net	660,507	705,373
Capital Assets, net of accumulated depreciation of \$59,777,024 in 2016 and \$56,691,484 in 2015	90,231,302	86,779,402
Total noncurrent assets	<u>105,059,976</u>	<u>100,461,206</u>
Total assets	<u>123,403,839</u>	<u>115,352,608</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	2,007,482	907,767
Deferral on debt defeasance, net of accumulated amortization costs of \$84,932 in 2016 and \$61,301 in 2015	489,608	344,006
	<u>2,497,090</u>	<u>1,251,773</u>
LIABILITIES		
Current liabilities: (Amount due within 1 year)		
Accounts payable and accrued liabilities	2,891,371	1,566,262
Bonds, certificates of indebtedness, notes and leases payable	2,174,215	1,892,091
Bonds, certificates of indebtedness, notes and leases interest payable	308,097	331,133
Compensated absences payable	91,002	65,274
Unearned revenue	4,260,312	1,262,843
Deposits/assets held in custody for others	2,043,836	1,856,528
Bond discount	(11,060)	(14,142)
Total current liabilities	<u>11,757,773</u>	<u>6,959,989</u>
Noncurrent liabilities: (Amounts due in more than 1 year)		
Bonds, certificates of indebtedness, notes and leases payable	58,043,751	59,566,049
Compensated absences payable	950,442	846,183
Refundable Advances	420,494	473,092
Other post employment benefits (OPEB)	1,765,801	1,750,449
Bond discount, net of accumulated amortization costs of \$31,563.81 in 2016 and \$39,554 in 2015	(253,291)	(336,963)
Net Pension Liability	4,322,841	4,322,584
Total noncurrent liabilities	<u>65,250,038</u>	<u>66,621,394</u>
Total liabilities	<u>77,007,811</u>	<u>73,581,383</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	2,733,097	1,901,558
	<u>2,733,097</u>	<u>1,901,558</u>

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
with comparative figures at June 30, 2015

	For the Year Ended	
	June 30, 2016	June 30, 2015
NET POSITION		
Invested in capital assets, net of related debt	34,002,481	32,222,819
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	448,793	451,444
Endowments and other	3,801,456	3,743,502
Loans	393,030	392,493
Expendable:		
Capital projects	4,078,873	1,660,950
Debt Service	1,219,589	459,617
Other	410,701	372,074
Unrestricted	1,805,098	1,818,541
Total net assets	46,160,021	41,121,440

The accompanying notes are an integral part of these financial statements.

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
with comparative figures at June 30, 2015

	For the Year Ended	
	June 30, 2016	June 30, 2015
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$13,541,949 in 2016 and \$12,801,650 in 2015)	\$ 17,960,609	\$ 12,663,767
Federal grants and contracts	2,942,156	2,707,512
State and local grants and contracts	481,808	535,376
Non-governmental grants and contracts	1,939,156	1,517,680
Sales and services of educational departments	227,819	96,320
Auxiliary enterprises:		
Athletics	122,541	107,573
Housing and food service (net of scholarship allowances of \$2,746,631 in 2016 and \$2,635,368 in 2015)	6,375,478	5,947,569
Bookstore	194,741	209,290
Health services	1,340	3,260
Student activities	34,629	50,526
Other	227,283	160,558
Other operating revenues	606,106	656,659
Total operating revenues	<u>31,113,666</u>	<u>24,656,090</u>
EXPENSES		
Operating expenses:		
Personal services	32,711,375	29,563,737
Supplies and other services	16,562,917	13,876,150
Scholarships and fellowships	2,553,073	2,046,807
Depreciation/amortization	4,269,447	4,163,311
Total operating expenses	<u>56,096,812</u>	<u>49,650,005</u>
Operating income (loss)	<u>(24,983,146)</u>	<u>(24,993,915)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	16,883,378	16,846,755
Federal grants	7,474,941	6,860,527
State grants	3,204,611	3,118,059
Non-governmental gifts and grants	914,668	824,753
Investment income (net of investment expense of \$50,582.70 in 2016 and \$64,943 in 2015)	157,923	96,814
Annuity contribution revenue	511,992	
Interest on capital (asset related debt)	(2,142,598)	(2,204,210)
Gain/(Loss) on disposal of net assets	80,788	116,436
Other nonoperating revenues		
Amortization of bond discount and deferral on debt defeasance	(36,231)	(30,683)
Bond issuance cost	(147,092)	(265,349)
Net nonoperating revenues	<u>26,902,380</u>	<u>25,363,102</u>
Income before other revenues, expenses, gains/losses	1,919,234	369,187
Capital appropriations	212,000	500,000
Capital gifts and grants	2,077,769	306,792
Donated assets	829,578	1,630
Net increase (decrease) in net position	<u>5,038,581</u>	<u>1,177,609</u>

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
with comparative figures at June 30, 2015

	For the Year Ended	
	June 30, 2016	June 30, 2015
NET POSITION		
Net position -- beginning of year (as previously reported)	41,121,440	45,732,827
Restatement for GASB 68 Pension Liability		(5,636,379)
Restatement for Capital Assets and Health Claims Payable		(152,617)
Net position -- beginning of year (as restated)	41,121,440	39,943,831
	<u>\$ 46,160,021</u>	<u>\$ 41,121,440</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
with comparative figures at June 30, 2015

	For the Year Ended	
	June 30, 2016	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
INFLOWS:		
Tuition and fees (net of scholarships)	\$ 19,579,046	\$ 11,931,089
Federal grants and contracts	2,933,493	2,804,949
State grants and contracts	493,378	506,000
Non-governmental grants and contracts	1,917,888	1,479,278
Sales and services of educational departments	227,819	96,320
Collection of loans and interest to students	123,460	136,101
Auxiliary enterprise revenues:		
Athletics	136,428	93,686
Housing and food service (net of scholarships)	6,613,652	5,926,632
Bookstore	197,482	207,033
Health services	1,340	3,260
Student activities	34,629	50,526
Other	229,586	160,558
Other receipts	669,360	557,553
OUTFLOWS:		
Payments to suppliers	(16,217,991)	(14,010,592)
Payments to employees	(25,552,581)	(23,418,864)
Payments of employee benefits	(6,290,921)	(5,713,939)
Scholarships and fellowships	(2,504,327)	(2,015,356)
Loans issued to students	(124,466)	(157,637)
	(17,532,725)	(21,363,403)
Net cash provided (used) by operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
INFLOWS:		
State appropriations	16,883,378	16,846,755
Federal grants	7,488,288	7,135,260
State grants	3,204,611	3,118,725
Non-governmental gifts and grants	908,675	810,480
Direct lending and plus funds(inflows)	14,793,566	13,890,032
Administrative Fee		
Direct lending and plus funds(outflows)	(14,793,566)	(13,890,032)
Other agency funds (net of outflows)	101,129	445,335
	28,586,081	28,356,555
Net cash flows provided by noncapital financing activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
INFLOWS:		
Distributions from trustee	2,441,991	165,683
Proceeds from non-bonded debt	-	53,744
Capital appropriations	212,000	500,000
Capital gifts and grants	2,077,769	306,792
Proceeds from sale of capital assets	88,926	123,054
OUTFLOWS:		
Purchases of capital assets	(4,993,284)	(2,252,862)
Payments to trustees for principal	(1,505,000)	(1,415,000)
Principal paid on non-bonded debt	(576,069)	(474,714)
Payments to trustees for interest and paying agent fees	(2,272,922)	(2,210,198)
Interest and paying agent fees on non-bonded debt	(56,161)	(51,766)
	(4,582,750)	(5,255,267)
Net cash used by capital and related financing activities		

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
with comparative figures at June 30, 2015

	For the Year Ended	
	June 30, 2016	June 30, 2015
CASH FLOWS FROM INVESTING ACTIVITIES		
INFLOWS:		
Proceeds from the sales and maturities of investments	\$ 971,617	\$ 1,199,271
Investment income (net of fees)	197,317	156,801
OUTFLOWS:		
Purchase of investments	(892,178)	(1,311,477)
Net cash provided (used) by investing activities	276,756	44,595
Net increase (decrease) in cash	6,747,362	1,782,479
Cash and cash equivalents -- beginning of year	13,577,080	11,794,601
Cash and cash equivalents -- end of year	\$ 20,324,442	\$ 13,577,080