NEW ISSUE **NOT RATED**
BOOK-ENTRY ONLY

In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes, and interest on the Bonds is not an item of tax preference for purpose of the federal alternative minimum tax. In Bond Counsel's further opinion, under existing law, the Bonds and interest thereon are exempt from all state, county and municipal taxation in the State of Arkansas. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. See the caption ***TAX EXEMPTION*** *herein.*

$4,915,000
CITY OF ARKADELPHIA, ARKANSAS
PUBLIC EDUCATION FACILITIES BOARD
(OUACHITA BAPTIST UNIVERSITY)
REFUNDING REVENUE BONDS
SERIES 2020

Dated: Date of Delivery Due: September 1, as described below

The bonds offered hereby (the "Bonds") are special and limited obligations of the City of Arkadelphia, Arkansas Public Education Facilities Board (Ouachita Baptist University) (the "Issuer"). The Bonds are payable from and secured by a pledge of certain revenues and other amounts to be received by the Issuer under a Loan Agreement, dated as of February 1, 1994, as amended and supplemented, between the Issuer and Ouachita Baptist University, an Arkansas nonprofit corporation having its principal offices in Arkadelphia, Arkansas (the "Corporation"). The Bonds are issued and secured on a parity basis with the Issuer's Refunding Revenue Bonds, Series 2014, the Issuer's Refunding Revenue Bonds, Series 2015, and the Issuer's Refunding Revenue Bonds, Series 2016.

The Bonds are secured by a Trust Indenture, dated as of February 1, 1994, as amended and supplemented, between the Issuer and Regions Bank, with offices in Little Rock, Arkansas, as Trustee (the "Trustee"). Interest on the Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2020, and the Bonds mature (on September 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

YEAR	AMOUNT	RATE (%)	YIELD (%)	YEAR	AMOUNT	RATE (%)	YIELD (%)
2020	$280,000	3.000%	1.450%	2028	$275,000	2.125%	2.200%
2021	490,000	3.000	1.500	2029	280,000	2.250	2.300
2022	505,000	3.000	1.550	2030	290,000	2.375	2.400
2023	520,000	3.000	1.650	2031	295,000	2.375	2.450
2024	250,000	3.000	1.750	2032	305,000	2.500	2.500
2025	260,000	3.000	1.850*	2033	310,000	2.500	2.550
2026	265,000	2.000	2.000	2034	320,000	2.500	2.600
2027	270,000	2.000	2.100				

The Bonds of each maturity will be initially issued as a single registered Bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein. Delivery of the Bonds is expected in New York, New York on or about February 25, 2020.

The Bonds are offered, when, as and if issued and received by the Underwriters named below, subject to the approval as to legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, the approval of certain legal matters by Bryan T. McKinney, Esq., counsel to the Corporation, and subject to satisfaction of certain other conditions.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc. Crews&Associates
A First Security Company

Dated: January 22, 2020

* Priced to first optional redemption date, March 1, 2025.

No dealer, broker, salesman or any other person has been authorized by the Issuer, the Corporation or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Corporation or the Underwriters. This Official Statement does not constitute an offer or solicitation in any state 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 is made to any person to whom it is unlawful to make such offer or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or the Corporation. The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

The Trustee did not participate in the preparation of this Official Statement and makes no representations concerning the Bonds, the Pledged Revenues, any other collateral or any other matter stated in this Official Statement. The Trustee has no duty or obligation to pay the Bonds from its own funds, assets or corporate capital or to make inquiry regarding, or investigate the use of amounts disbursed from the trust estate to the Corporation.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Trust Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon certain exemptions in such laws from such registration and qualification.

CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$4,915,000
CITY OF ARKADELPHIA, ARKANSAS
PUBLIC EDUCATION FACILITIES BOARD
(OUACHITA BAPTIST UNIVERSITY)
REFUNDING REVENUE BONDS
SERIES 2020

INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and appendices hereto. A full review should be made of the entire Official Statement, as well as the Agreement and the Indenture described herein.

This Official Statement is provided to furnish certain information in connection with the Issuer's Refunding Revenue Bonds, Series 2020, dated the date of delivery thereof, in the aggregate principal amount of $4,915,000 (the "Bonds"). The Bonds are being issued for the purpose of (a) current refunding the Issuer's Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"), (b) paying the costs of issuing the Bonds, and (c) providing a debt service reserve. See **THE BONDS**, Purposes for Bonds.

The Issuer is a body politic and corporate and a public instrumentality of the City of Arkadelphia, Arkansas (the "City"), authorized and empowered under the laws of the State of Arkansas (the "State"), including particularly Title 14, Chapter 137 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to finance, refinance, acquire, own, lease, contract concerning, and dispose of educational facilities at Ouachita Baptist University, a four-year degree granting institution of post-secondary education (the "University"). See **THE ISSUER**. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, including particularly the Authorizing Legislation, an ordinance of the Board of Directors of the City creating the Issuer, resolutions duly adopted by the Issuer and the Board of Directors of the City and a Trust Indenture, dated as of February 1, 1994, as amended and supplemented by a First Supplemental Trust Indenture, dated as of July 1, 1999, a Second Supplemental Trust Indenture, dated as of December 1, 2002, a Third Supplemental Trust Indenture, dated as of September 1, 2005, a Fourth Supplemental Trust Indenture, dated as of June 1, 2008, a Fifth Supplemental Trust Indenture, dated as of October 1, 2009, a Sixth Supplemental Trust Indenture, dated as of December 1, 2012, a Seventh Supplemental Trust Indenture dated as of June 1, 2013, an Eighth Supplemental Trust Indenture dated as of December 1, 2014, a Ninth Supplemental Trust Indenture dated as of January 1, 2015, a Tenth Supplemental Trust Indenture dated as of September 28, 2016, and an Eleventh Supplemental Trust Indenture dated as of February 25, 2020 (collectively, the "Indenture"), between the Issuer and Regions Bank, with offices in Little Rock, Arkansas, as Trustee (the "Trustee").

Pursuant to a Loan Agreement, dated as of February 1, 1994, as amended and supplemented by a First Supplemental Loan Agreement, dated as of July 1, 1999, a Second Supplemental Loan Agreement, dated as of December 1, 2002, a Third Supplemental Loan Agreement, dated as of September 1, 2005, a Fourth Supplemental Loan Agreement, dated as of June 1, 2008, a Fifth Supplemental Loan Agreement, dated as of October 1, 2009, a Sixth Supplemental Loan Agreement, dated as of December 1, 2012, a Seventh Supplemental Loan Agreement, dated as of June 1, 2013, an Eighth Supplemental Loan Agreement dated as of December 1, 2014, a Ninth Supplemental Loan Agreement dated as of January 1, 2015, a Tenth Supplemental Loan Agreement dated as of September 28, 2016, and an Eleventh Supplemental Loan Agreement dated as of February 25, 2020 (collectively, the "Agreement"), between the Issuer and Ouachita Baptist University, an Arkansas nonprofit corporation and the owner and operator of the University (the "Corporation"), the Issuer is lending the proceeds of the Bonds to the Corporation in return for payments sufficient to pay the principal of and interest on the Bonds as and when the same become due and payable and the fees, charges, and expenses of the Trustee. See **SUMMARY OF PORTIONS OF THE AGREEMENT**. The obligations of the Corporation under the Agreement are secured by a pledge of and lien on all student tuition and fee revenues received by the Corporation (the "Pledged Revenues") on a parity with the lien securing the Issuer's Refunding Revenue Bonds, Series 2014 (the "Series 2014 Bonds") in the original principal amount of $6,710,000, the Issuer's Refunding Revenue Bonds, Series 2015 (the "Series 2015 Bonds") in the original principal amount of $8,100,000, and the Issuer's Refunding Revenue Bonds, Series 2016 (the "Series 2016 Bonds") in the original principal amount of $40,710,000 (collectively, the "Parity Bonds"). See **THE BONDS**, Security. **The Bonds are not secured by a mortgage on or security interest in any real or tangible personal property.**

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

The Bonds are special and limited obligations of the Issuer. Neither the City, the State, nor any political subdivision thereof shall in any event be liable for the payment of the principal of or interest on the Bonds or for the performance of any pledge, mortgage, obligation, or agreement of any kind whatsoever which may be undertaken by the Corporation. None of the Bonds or any of the agreements or obligations of the Corporation shall be construed to constitute an indebtedness, liability, general or moral obligation, pledge of the faith, loan of credit, or charge against the taxing power of the City, the State, or any political subdivision thereof within the meaning of any constitutional or statutory provision. The Issuer has no taxing power.

This Official Statement sets forth for consideration by each investor certain risk factors and other investments considerations that each investor should consider prior to purchasing the Bonds. See **BONDHOLDER RISKS** herein.

The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **THE BONDS**, Book-Entry Only System. The Bonds will contain such other terms and provisions as described herein **THE BONDS**, General Description.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or an integral multiple thereof. Interest is payable September 1, 2020 and semiannually thereafter on each March 1 and September 1. Unless the Bonds are in book-entry form, principal is payable at the principal office of the Trustee. Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of $5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS**, General Description.

The Bonds are subject to extraordinary redemption in certain events and are subject to optional redemption on and after March 1, 2025, as described herein. The Trustee shall give at least 30 days notice of redemption. See **THE BONDS**, Redemption.

The Indenture permits, under certain conditions, the issuance of additional bonds (the "Additional Bonds") by the Issuer which will rank on a parity with the Bonds. See the caption **THE BONDS**, Additional Bonds, herein.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), (iv) interest on the Bonds is exempt from State income tax, and (v) the Bonds are exempt from property taxes in the State. See **LEGAL MATTERS**, Tax Exemption.

It is expected that the Bonds will be available for delivery on or about February 25, 2020 through the facilities of The Depository Trust Company in New York, New York.

This Official Statement contains descriptions of, among other matters, the Bonds, the Corporation, the University, the Indenture, the Agreement and the Continuing Disclosure Agreement (as hereinafter defined). Such descriptions and information do not purport to be comprehensive or definitive. Definitions of certain words and terms used in this Official Statement are set forth in Appendix A hereto. All references herein to the Indenture, the Agreement and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of such documents may be obtained from Bond Counsel prior to the delivery of the Bonds and from the Trustee after the delivery of the Bonds.

THE BONDS

Book-Entry Only System. DTC, or its successor, will act as securities depository for the Bonds. The Bonds will each 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 for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the 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 & Closing 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"). 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.

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 (referred to herein as "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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest 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. 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.

Redemption notices will be sent only to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant 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 the 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).

Principal, interest and premium, if any, 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 the Issuer or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the Issuer make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The Issuer and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

General Description. The Bonds shall (a) be dated, (b) mature and (c) bear interest as reflected on the cover page of this Official Statement, and interest is payable on the Bonds in accordance therewith. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of $5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Indenture. In the event any Bond is mutilated, lost or destroyed, the Issuer shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Indenture.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge will be made to any owner of any Bond for the privilege of registration, but any owner of any Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the Issuer or the Trustee incurred in connection therewith shall be paid by the Issuer. Neither the Issuer nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Bonds shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or date fixed for redemption.

Redemption. (1) Extraordinary Redemption. The Bonds shall be redeemed (a) from proceeds of the Bonds which are not needed for the purposes intended, in part on any interest payment date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, (b) on any interest payment date from the proceeds of any insurance or condemnation award resulting from the damage or destruction of the University or any portion thereof by fire or other casualty, or from the taking by condemnation by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in, or the temporary use of, the University or any portion thereof, in part in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine) at a price equal to the principal amount being redeemed plus accrued interest to the redemption date and (c) on any interest payment date, in whole, in the event the Corporation shall exercise its option to prepay under Section 9.2 of the Agreement, at a price equal to the principal amount being redeemed plus accrued interest to the redemption date.

(2) Optional Redemption. The Bonds are also subject to redemption at the option of the Issuer, from funds from any source, on and after March 1, 2025 in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the Issuer in its discretion. If fewer than all of the Bonds of

any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

Notice of Redemption. The Trustee, at the expense of the Issuer, shall give notice of the call for redemption by first class mail placed in the mail not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of any Bond called for redemption, addressed to such registered owner's registered address. After the date specified in such call, the Bonds or portions thereof (which must be integral multiples of $5,000) so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds**.

Purposes for Bonds. The Bonds are being issued to (a) current refund the Series 2013 Bonds, (b) pay the costs of issuing the Bonds, and (c) provide a debt service reserve. The refunding of the Series 2013 Bonds will be accomplished on the date the Bonds are issued, or the first practicable date thereafter, at a price of par plus accrued interest.

The Series 2013 Bonds were issued to current refund the Issuer's Refunding and Improvement Revenue Bonds, Series 2005 (the "Series 2005 Bonds"). The Series 2005 Bonds were issued (a) to finance the completion of the unfinished space in Ouachita Commons, the upgrade and renovation of the Central Heating and Cooling Plant in the Evans Student Center, roadway (street/parking area) replacement and other infrastructure improvements and (b) to current refund the Issuer's Revenue Bonds, Series 1999 (the "Series 1999 Bonds"). The Series 1999 Bonds were issued to finance a student dining facility.

The sources and uses of Bond proceeds and other funds are estimated by the Issuer to be as follows:

SOURCES:

Principal Amount of Bonds	$4,915,000
Available Moneys(1)	871,231
Net Original Issue Premium	69,705
Total Sources	$5,855,936

USES:

Refunding of Series 2013 Bonds	$5,266,335
Debt Service Reserve(2)	491,500
Underwriters' Discount	48,601
Costs of Issuance	49,500
Total Uses	$5,855,936

(1) Held in connection with the bond fund and debt service reserve for the Series 2013 Bonds.
(2) To be provided with a transfer from the debt service reserve for the Series 2013 Bonds.

Additional Bonds. So long as the Agreement is in effect and there is no event of default existing under the Agreement or the Indenture, one or more series of Additional Bonds may be issued to pay (i) the costs of making certain substitutions, additions, modifications, and improvements in, on, or to the University, (ii) the costs of refunding, to the extent permitted by law, any Outstanding Bonds or Parity Bonds, and (iii) the costs of the issuance and sale of the Additional Bonds and capitalized interest and certain other costs. Any such Additional Bonds shall be payable solely from the amounts derived from the Agreement. The Additional Bonds shall be delivered to the Trustee only upon the filing of certain documents with the Trustee, including (i) a supplemental indenture and a supplemental agreement, (ii) a written opinion of nationally recognized bond counsel to the effect that the issuance of Additional Bonds and the execution thereof have been duly authorized, all conditions precedent to the delivery thereof have been fulfilled, and the exclusion from gross income of the interest on the Bonds for federal income tax purposes and any Additional Bonds theretofore issued will not be affected by the issuance of any such Additional Bonds, (iii) a written order to the Trustee from the Issuer to authenticate and deliver the Additional Bonds, and (iv) (a) if the Additional Bonds are to be issued to construct additional capital improvements to the University, a written opinion of an Accountant that the Pledged Revenues collected by the Corporation in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Bonds are proposed to be issued were at least 130% of the maximum Annual Debt Service on Outstanding Bonds and Parity Bonds plus the Additional Bonds proposed to be issued, or (b) if the Additional Bonds are to be issued to refund any Outstanding Bonds or Parity Bonds, a written opinion of an Accountant that either (A) the Pledged Revenues collected by the Corporation in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Bonds are proposed to be issued were at least 130% of the maximum Annual Debt Service on Outstanding Bonds or Parity Bonds which are not to be refunded plus the Additional Bonds proposed to be issued, or (B) Annual Debt Service for each Fiscal Year on the Additional Bonds proposed to be issued does not exceed Annual Debt Service on the Bonds or Parity Bonds proposed to be refunded. Each series of Additional Bonds shall be equally and ratably secured under the Indenture with the Bonds and all other series of Additional Bonds, without preference, priority, or distinction of any Bonds over any other thereof.

Security. The Bonds will be special and limited obligations of the Issuer and will be payable solely from certain amounts payable by the Corporation to the Issuer under the Agreement and certain other available moneys specified in the Indenture (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the Bonds and income from the investment thereof). Under the Indenture, the Issuer will pledge and assign all of its right, title, and interest in and to the Agreement and all revenues and receipts payable thereunder (other than certain indemnification rights and certain fees and expenses of the Issuer) to the Trustee for the benefit of the owners of the Bonds. **The Bonds are not secured by a mortgage on or security interest in any real or tangible personal property. However, the Corporation has covenanted in the Agreement that it will not mortgage any real property upon which the University is presently located to secure any indebtedness of the Corporation.**

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

Debt Service Reserve. In the Indenture there is established with the Trustee a debt service reserve fund (the "Debt Service Reserve Fund"). The Debt Service Reserve Fund will contain an amount allocable to the Bonds, which amount will be equal to $491,500, which is the lesser of the maximum Annual Debt Service on the Bonds, 125% of the average Annual Debt Service on the Bonds, and 10% of the original principal amount of the Bonds (the "Debt Service Reserve Requirement"). The Debt Service Reserve Requirement with respect to the Bonds shall be funded by a transfer from the debt service reserve being held in connection with the Series 2013 Bonds.

Pledged Revenues. The Corporation, pursuant to the Agreement, has pledged the Pledged Revenues (tuition and fees) received by the Corporation to the payment of the principal of and interest on the Bonds, the maintenance of the Debt Service Reserve Fund at the required level, and the payment of fees and expenses of the Trustee and the Paying Agent for the Bonds. In this regard, the pledge in favor of the Bonds is on a parity with the Parity Bonds and any Additional Bonds. See **DEBT SERVICE REQUIREMENTS.** The Corporation, in the Agreement, has covenanted that it will not grant a security interest in Pledged Revenues except to secure its obligations under the Agreement.

Pursuant to the Agreement, the Corporation is obligated to deliver to the Trustee, at least on a semiannual basis, Pledged Revenues in amounts sufficient to meet the Corporation's obligations under the Agreement. However, if an event of default occurs or exists under the Indenture the Trustee will receive all Pledged Revenues until such time as the event of default has been cured, including funding of the Debt Service Reserve Fund to the required level. The security interest in the Pledged Revenues may be subject to (a) limitation or rights of other parties imposed by statute or court order, (b) to the requirements that appropriate filings be made from time to time to maintain the protection of the security interest and (c) to rights of depository banks to set off.

Rate Covenant. In the Agreement, the Corporation agrees to fix, maintain, and charge tuition and fees for use of the University and for services provided by the University such that Pledged Revenues in each Fiscal Year will not be less than 125% of the maximum Annual Debt Service on Outstanding Bonds, Parity Bonds and Additional Bonds in the Fiscal Year thereafter.

The Corporation has also agreed, beginning with the Fiscal Year ending May 31, 2020 and thereafter, to fix, maintain, and charge tuition and fees for use of the University and for services provided by the University, or to collect or recognize such additional revenues, such that the "Net Revenues Available for Debt Service" (as defined below) in each Fiscal Year will not be less than 100% of the maximum Annual Debt Service on Outstanding Bonds, Parity Bonds and Additional Bonds in the Fiscal Year thereafter.

The Corporation further covenants that if in any Fiscal Year the Net Revenues Available for Debt Service shall be less than the amount required by the preceding paragraph, it will, before the 15th day of the fifth month of the then next following Fiscal Year, employ a Consultant to examine the tuition, fees, charges and other revenue source of the Corporation and the methods of operation of the Corporation and the University and make such recommendations to the Corporation as the Consultant believes are appropriate to enable the Corporation to produce Net Revenues Available for Debt Service in such following Fiscal Year as are required by the preceding paragraph. If in the judgment of the Consultant it is not possible for the Corporation to meet the requirements of the preceding paragraph, the report of the Consultant shall so indicate and shall further indicate the projected ratio of Net Revenues Available for Debt Service to maximum Annual Debt Service on the Outstanding Bonds, Parity Bonds and Additional Bonds if the recommendations of the Consultant are followed. The recommendations of the Consultant will be filed with the Trustee and Issuer. The Corporation covenants that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, it shall revise its tuition, fees, charges and other sources of revenues or its methods of operation with respect to the University and shall take such other action as shall be in conformity with such recommendations. If the Corporation complies with the provisions of this paragraph, it shall for the Fiscal Year in which such Consultant is employed and for the subsequent Fiscal Year, be excused from compliance with the provisions of the preceding paragraph provided, however, that the Corporation fixes, charges and collects or causes to be fixed, charged and collected tuition, fees, charges and other sources of revenues for the use of and for the services furnished or to be furnished by the Corporation which shall be sufficient in such Fiscal Year to produce Net Revenues

Available for Debt Service in amounts required to pay debt service on its indebtedness (including the Outstanding Bonds, Parity Bonds, and Additional Bonds) as due; but this paragraph shall not be construed as in any way excusing the Corporation from taking any action or performing any duty required under any other section of the Agreement or be construed as constituting a waiver of any other event of default under the Agreement.

"Net Revenues Available for Debt Service" means the total of all unrestricted revenues, income, receipts and money received by or on behalf of the Corporation from any and all sources whatsoever (other than proceeds of borrowing and other than revenues, income, receipts and money received by the Corporation as agent of someone other than the Corporation) including, but without limiting the generality of the foregoing, (i) net tuition and fees (being gross tuition and fees less scholarship and fellowship allowances), (ii) unrestricted gifts, grants and contributions, (iii) auxiliary enterprises revenues, (iv) return on investments (excluding unrealized gains or losses), (v) net assets released from restriction, (vi) unrestricted amounts received for governmental grants and programs, and (vii) all other revenue, remaining after deduction of the Corporation's operating expenses (other than depreciation, amortization, and interest expense); provided, however, that no determination of Net Revenues Available for Debt Service shall take into account any (a) gain or loss resulting from either the extinguishment or refinancing of indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, or (b) unrealized gains and losses on investments or hedging transactions, or (c) termination amounts or mark to market on investments or hedging transactions, or (d) audit restatements, or (e) any "other than temporary" impairment loss, or (f) non-recurring, unanticipated gains or losses that are considered to be extraordinary under generally accepted accounting principles.

Other Indebtedness. The Corporation has covenanted in the Agreement that it will avoid incurring additional indebtedness in an amount which might impair the security for the Bonds and the ability of the Corporation to make payments required by the Agreement. Other than the Parity Bonds, all of the Corporation's other indebtedness in the outstanding principal amount in excess of $50,000 is described as follows:

(a) On November 4, 2015, the University's Board of Trustees, upon a joint recommendation of the Board's Finance Committee, Endowment Committee, and Executive Committee, adopted a resolution authorizing a term loan (the "Endowment Term Loan") from the University's endowment pool. The original principal amount of the Endowment Term Loan was $18,600,000, and the Endowment Term Loan bears interest at a rate of 3.50% per annum. The Endowment Term Loan is payable to the Arkansas Baptist Foundation of the Arkansas Baptist State Convention (the "ABF"), as servicer (see Note 1, *ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Investments* and *Endowment Funds*, in Appendix B attached hereto for information on the endowment fund and the ABF and its relationship to the Corporation's investment pool), in monthly principal and interest payments of $83,537 beginning on January 15, 2016 and continuing monthly thereafter on the 15th day of the month (or the next business day if the 15th falls on a weekend), with a final balloon payment of all unpaid principal and accrued interest due on December 15, 2030. See **DEBT SERVICE REQUIREMENTS**. The Endowment Term Loan is unsecured. The Endowment Term Loan was incurred in order to refinance a term loan payable to a bank. See Appendix B, Note 7 with respect to the Endowment Term Loan.

(b) On November 4, 2015, the University's Board of Trustees, upon a joint recommendation of the Board's Finance Committee, Endowment Committee, and Executive Committee, adopted a resolution authorizing a line of credit (the "Endowment Line of Credit") from the University's endowment pool in the maximum principal amount of $5,000,000. Interest on the unpaid principal balance of the Endowment Line of Credit accrues at an annual rate of prime (being the prime rate of interest charged by banks in New York, New York as reflected in the Southwest Edition of *The Wall Street Journal*) plus 25 basis points until the principal is paid in full. Interest is calculated on the basis of the number of days the principal balance is outstanding. The rate resets each January 1. All accrued interest must be paid not less frequently than quarterly on March 15, June 15, September 15, and December 15. No amount was outstanding under the Endowment Line of Credit as of May 31, 2019 or May 31, 2018. See Appendix B, Note 7 with respect to the Endowment Line of Credit.

(c) On December 13, 2012, the University's Board of Trustees adopted a resolution (the "Endowment Construction Loan Resolution") authorizing a loan of not in excess of $1,500,000 (the "Endowment Construction Loan") from the University's endowment pool in order to facilitate the completion of several campus construction projects. The Endowment Construction Loan bears interest at a rate of 5.0% per annum. The Endowment Construction Loan is payable to the ABF, as servicer (see Note 1, *ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Investments* and *Endowment Funds*, in Appendix B attached hereto for information on the endowment fund and the ABF and its relationship to the Corporation's investment pool), in monthly principal and interest payments of $9,844.08 until its maturity on May 1, 2029. See **DEBT SERVICE REQUIREMENTS**. The Endowment Construction Loan is unsecured, but pursuant to the provisions of the Endowment Construction Loan Resolution, the University applies all pledges and gifts designated for Heflin Plaza, Hatcher Wrestling Center, the Lile Hall renovation, and the Evans Student Center renovation, as well as any operating budget surpluses in excess of $250,000, to the principal balance. As of May 31, 2019, $627,000 was outstanding on the Endowment Construction Loan. See Appendix B, Note 7 with respect to the Endowment Construction Loan.

(d) A Real Estate Installment Note (the "Real Estate Note") payable to the sellers of Caddo Place Apartments, originally dated March 31, 2008, in the original principal amount of $714,100, was originally scheduled to mature on March 31, 2018. In March 2018, the Corporation and the lender executed a Change in Terms Agreement that provided for the same interest rate and monthly installment amount, but that extended the maturity date of the Real Estate Note to March 31, 2028. The Real Estate Note bears interest at the rate of 5.50% and is payable in installments of $4,944.17 monthly with a payment of $6,895.84 due on March 31, 2028. See Appendix B, Note 6 with respect to the Real Estate Note.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. The Corporation has undertaken all responsibility for any continuing disclosure to Bondholders as described below, and the Issuer shall have no liability to the Bondholders or any other person with respect to Securities and Exchange Commission (the "SEC") Rule 15c2-12(b)(5) (the "Rule").

The Corporation has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Corporation by not later than 180 days following the end of the Corporation's fiscal year (which currently would be May 31) (the "Annual Report"), commencing with the Annual Report for the Corporation's fiscal year ending May 31, 2020, and to provide notices of the occurrence of certain enumerated events. Each Annual Report shall be filed by Regions Bank in its capacity as Trustee and as initial Dissemination Agent on behalf of the Corporation with the Municipal Securities Rulemaking Board on the Municipal Securities Rulemaking Board's internet website, www.emma.msrb.org ("EMMA"). The notices of listed events will be filed by Regions Bank on behalf of the Corporation with the Municipal Securities Rulemaking Board on EMMA. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized below under the caption **SUMMARY OF PORTIONS OF THE CONTINUING DISCLOSURE AGREEMENT**. These covenants have been made in order to assist the Underwriters in complying with the Rule.

The Corporation is a party to multiple continuing disclosure agreements with respect to various bond issues, including the Parity Bonds. While the Corporation has not made any determinations as to materiality, the following paragraphs, while not exhaustive, summarize the results of the Corporation's review of compliance with prior continuing disclosure obligations over the past five years.

The Corporation timely filed its Annual Report for the fiscal year ended May 31, 2019. For the fiscal years ended May 31, 2015, 2016, 2017 and 2018, the Corporation filed its Annual Reports 7 days late, 1 day late, 3 days late, and 2 days late, respectively. A notice concerning the Corporation's failure to timely file its Annual Reports was not filed on EMMA. The Corporation included all of the required financial and operating data in its Annual Reports filed for the fiscal years ended May 31, 2015, 2016, 2017, 2018 and 2019.

As part of its continuing disclosure obligations, the Corporation is also required to file its audited financial statements not later than 180 days following the end of the Corporation's fiscal year, or, if such audited financial statements were not available by that date, within 30 days of receipt thereof by the Corporation. For the fiscal years ended May 31, 2015 and 2019, such audited financial statements were timely filed. For the fiscal years ended May 31, 2016, 2017 and 2018, such audited financial statements were filed 1 day late, 3 days late, and 2 days late, respectively. A notice concerning the Corporation's failure to timely file its audited financial statements was not filed on EMMA.

Each continuing disclosure agreement also obligated the Corporation to file a notice of the occurrence of any event listed in the Rule. The Corporation has timely filed call notices and notices of defeasance in accordance with the Rule.

The Corporation has undertaken steps to assist in future compliance with its continuing disclosure undertakings.

THE ISSUER

The Issuer was created by Ordinance No. 483 of the Board of Directors of the City, adopted on October 20, 1988 (the "Authorizing Ordinance"), pursuant to the Authorizing Legislation. The Issuer is authorized by the Authorizing Ordinance and the Authorizing Legislation to own, acquire, construct, reconstruct, extend, equip, improve, sell, lease, contract concerning, or otherwise deal in or dispose of educational facilities or any interest therein. The Issuer is authorized to issue revenue bonds from time to time and to use the proceeds to finance or refinance its authorized functions.

The initial members of the Issuer were appointed by proclamation of the Mayor of the City. Successor members were previously elected by the remaining members of the Issuer. Due to a change in legislation, successor members are now appointed by the Mayor and confirmed by the Board of Directors of the City. Members are eligible to succeed themselves. The current members of the Issuer and their principal occupations are as follows:

Name	Principal Occupation	Term Expires (May 31)
Randall Turner, Vice Chairman	Certified Public Accountant	2020
Rick Mays, Chairman	Pastor	2021
Jane L. Lucas	Executive Director, Group Living	2022
Wilma Gill, Secretary	Retired	2023
Dr. Rob Rucker	Veterinarian	2024

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THE CORPORATION AND UNIVERSITY

Generally. The Corporation, which owns and operates the University, is an Arkansas nonprofit corporation incorporated on April 19, 1886. In 1885, the Arkansas Baptist Convention voted to establish the University as its institution of higher education. In April, 1886, the Board of Trustees of the University voted to locate the institution in Arkadelphia, Arkansas. Classes began on September 6, 1886, and the University has operated without interruption in the same location since that date. On January 14, 1965, the Board of Trustees voted to change the name from Ouachita Baptist College to Ouachita Baptist University.

Location and Facilities. The University is located in Arkadelphia, Arkansas (the "City"), in Clark County (the "County"), approximately seventy miles southwest of Little Rock, Arkansas, on Interstate 30, and thirty-five miles south of Hot Springs, Arkansas. The University's campus consists of 37 buildings and the campus is located on approximately 200 acres of land. As of May 31, 2019 the net book value of buildings and grounds was valued at $88,445,694.

During the past decade, the University has added a number of buildings to the campus which enhance the academic environment and provide a beautiful, yet functional, setting for teaching and learning. Those new facilities include Hickingbotham Hall, the home of the Frank D. Hickingbotham School of Business, which was completed in the spring of 2006; the Harvey Jones Science Center in 1997, which provides over 60,000 square feet of space for the Departments of Biological Sciences, Chemistry, Mathematics and Computer Science, and Physics; and the Harvey and Bernice Jones Performing Arts Center which consists of a 1,500 seat auditorium, makeup rooms, prop storage and construction rooms, faculty offices and a ticket office. The University completed the following residence halls in 2009: Gosser Hall, which is approximately 74,260 square feet and houses up to 212 students and East Village Hall which is approximately 52,480 square feet and houses up to 148 students. In 2010, the University completed the Westside One and Westside Two halls, which are approximately 37,500 square feet and house up to 128 students. In 2011, the Facilities Management Complex was completed, which is approximately 29,970 square feet. In 2014, Cliff Harris Stadium was completed; the stadium seats approximately 3,000 for football contests and includes approximately 7,000 square feet of facility space. In 2015, the Elrod Center for Family and Community was completed, which is approximately 5,800 square feet. In 2015, the Whisenhunt Soccer Field House was completed, which is approximately 5,000 square feet. In 2018, the University renovated the Kluck Hillside Apartments; there are two, two-story buildings which are approximately 13,680 square feet and can house up to 32 students.

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The following is a list of the buildings located on the campus of the University:

Building	Square Footage	Construction Date
Anthony Hall	38,800	1994
Berry Bible Building	14,468	1956
Caddo Place Apartments	11,968	1998
Cliff Harris Stadium	7,000	2014
Cone Bottoms	27,272	1923
Benson-Blackmon Field House	12,208	1997
East Village Hall	52,480	2009
Elrod Center	5,821	2015
Evans Student Center	53,247	1972
Facilities Management Complex	29,970	2011
Francis Crawford (East and West)	50,761	1970
Flippen	17,905	1961
Gosser Hall	74,260	2009
Perrin	17,905	1964
Jones Performing Arts Center	66,000	1992
Harvey Jones Science Center	66,000	1997
Hickingbotham Hall	30,605	2006
J.G. Lile	42,238	1986
R.A. Lile	12,000	1971
Mabee Fine Arts Center	46,267	1972
Maddox	38,800	1995
Hatcher Wrestling Complex	10,000	2011*
Malone House	2,400	1999*
McClellan Hall	33,000	1978
Moses-Provine	30,713	1951
O.C. Bailey	21,600	1956
Ouachita Commons	51,840	2001
Riley-Hickingbotham Library	48,566	1987*
Sturgis Physical Education Center	92,019	1982*
Tennis Center	46,500	1990
Tiger Den	7,200	1996
Lancelot Apartments	14,544	1971
Kluck Hillside Apartments	13,680	2018*
Starlight Apartments	16,092	1971
Verser Drama Center	9,954	1965
Walker Conference Center	51,840	2006
Westside One	17,637	2010
Westside Two	19,861	2010
Whisenhunt Soccer Fieldhouse	5,000	2015

*Date of Renovation.

Governing Body. The Corporation is governed by the Board of Trustees composed of twenty-four members. Each member is appointed for a three-year, staggered term, with eight members completing their terms each year.

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

Name	Term Expires (December)	Principal Occupation
Nancy Benton	2020	Homemaker
Julie Dodge	2020	Homemaker, Educator
Susan Goss	2020	Licensed Professional Counselor
Terri Mardis	2020	Attorney
Beth Neeley	2020	Homemaker
Mark Roberts	2020	Banker
Molly Shepherd	2020	Attorney
Tom Thrash	2020	Attorney
Scott Carter	2021	Accountant
Susie Everett	2021	Business Owner
Larry Kircher	2021	Retired Banker
Alan Monk	2021	Accountant
Randy Sims	2021	Retired Banker
Susan Wamble	2021	Pediatric Dentist
Bob White	2021	Business Owner
Greta Wilcher	2021	Hospital CFO
Gus Williamson	2021	Educator
Clay Conly	2022	Banker
Bill Elliff	2022	Pastor
Larry Ferguson	2022	Businessman
Taylor King	2022	Attorney
Ginger Morgan	2022	Retired Physical Therapist
Brett Rogers	2022	Businessman
Scott Street	2022	Hospital CEO
Jenny Turner	2022	Educator

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Administration. Set forth below are the names, educational degrees and titles of the principal members of the administrative staff of the University:

Name	Title
Ben Sells, Ph.D	President
Stan Poole, Ph.D	Vice President for Academic Affairs
Jason Tolbert	Chief Financial Officer
C. Wesley Kluck, M.D.	Vice President for Student Development
Terry Peeples	Vice President for Development
Keldon Henley, Ed. D	Vice President for Institutional Advancement

Dr. Ben Sells became the 16th president of the University on June 1, 2016. Prior to his selection as president by the University Board of Trustees, he had served as Vice President for University Advancement at Taylor University in Upland, Indiana for more than nine years.

Dr. Sells holds a Bachelor of Science degree from Southwest Baptist University in Bolivar, Missouri, and two degrees, a Master of Arts and a Ph.D. in higher and adult education from the University of Missouri in Columbia. As an undergraduate, he participated in the Oxford Overseas Study Program, and in 2012 he earned a certificate from Harvard University's Institute for Educational Management.

Stan Poole was appointed Vice President for Academic Affairs and Dean of the School of Interdisciplinary Studies at the University in June 2003. Before coming to the University, he served as Professor of English at Louisiana College in Pineville, Louisiana, from 1988–2003. He also served at the same institution in several administrative roles, including Coordinator of Faculty Development, Interim Vice President for Academic Affairs, and Assistant Dean of the College.

Dr. Poole holds a B.A. in English and Speech from Louisiana College, a M.A. in English from Tulane University, and a Ph.D. in English from the University of Virginia.

Jason Tolbert was appointed Chief Financial Officer of the University in March of 2015. Before coming to the University, he served as controller at the Arkansas Baptist Foundation from 2004-2015, as an associate in the assurance and business advisory group with PricewaterhouseCoopers from 2002-2004, and as a financial analyst for Alltel Information Services from 2000-2002.

Mr. Tolbert holds a Master of Business Administration degree from the University of Arkansas at Little Rock and a Bachelor of Science in Education from Ouachita Baptist University. He has been a Certified Public Accountant since 2004 and is a member of the Arkansas Society of Certified Public Accountants where he serves as chair of the legislative committee.

Wesley Kluck was appointed Vice President for Institutional Advancement and University Physician of Ouachita Baptist University in August 2005. Prior to this appointment he had been in private medical practice as a pediatrician since 1984. Dr. Kluck also served on the University's Board of Trustees for 12 years, including two years as chairman. As Vice President for Advancement he was responsible for student recruitment, alumni, career services, enrollment management and athletic school spirit. In August 2012, he took on a new role as Vice President for Student Development. As University physician Dr. Kluck supervises and practices in an on-campus clinic and serves as athletic team physician.

Dr. Kluck holds a B.S. degree in biology, chemistry and math from the University and a Doctor of Medicine degree from the University of Arkansas. He completed a pediatric residency at Arkansas Children's Hospital and is certified by the American Board of Pediatrics.

Terry Peeples was named Vice President for Development on March 1, 2008. As Vice President for Development, Ms. Peeples will be responsible for guiding all fund-raising efforts of the University and managing the work of the development office staff. A 1983 graduate of the University, Ms. Peeples served Baptist Health for 20 years as community relations director, where she was responsible for business development, community outreach, 13 wellness centers, volunteer programs, physician relations, sales direction, and guided many of the successful programs and services in place today.

Keldon Henley joined the administrative staff of the University in 1993. From September 2003 to August 2012, Dr. Henley served as Vice President for Student Services and Dean of Students. As the chief student affairs officer for the University, Dr. Henley was responsible for campus housing and residence life, campus activities, health services, counseling services, recreational sports, student conduct, and campus safety. In August 2012, he took on a new role as Vice President for Institutional Advancement.

Dr. Henley earned the Doctor of Education degree in Higher Education Administration and College Teaching in 1997 from the University of Arkansas at Little Rock. He holds an M.A. in Marriage and Family Counseling from Southwestern Baptist Theological Seminary. He was a 1986 graduate of Ouachita Baptist University, earning a Bachelor of Music degree.

Academic Programs. The J. D. Patterson School of Natural Sciences confers the degree of Bachelor of Science and Bachelor of Arts.

The Michael D. Huckabee School of Education confers the degrees of Bachelor of Arts and Bachelor of Science in Education.

The William H. Sutton School of Social Sciences confers the Bachelor of Arts degree.

The School of Humanities confers the Bachelor of Arts degree.

The Bernice Young Jones School of Fine Arts confers the degrees of Bachelor of Music, Bachelor of Music Education and Bachelor of Arts.

The Frank D. Hickingbotham School of Business confers the Bachelor of Arts degree.

The Chesley and Elizabeth Pruet School of Christian Studies confers the Bachelor of Arts degree.

Status of University. The academic programs of the University are accredited by the Higher Learning Commission. The Teacher Education Program is accredited by the Council for the Accreditation of Educator Preparation on the elementary and secondary levels. The Division of Music is accredited for the baccalaureate degree by the National Association of Schools of Music. The Didactic Dietetic Program is accredited by the Accreditation Council for Education in Nutrition and Dietetics (ACEND) of the Academy of Nutrition and Dietetics. The undergraduate degree program in business offered by the Frank D. Hickingbotham School of Business is accredited by AACSB International – The Association to Advance Collegiate Schools of Business.

The University is a member of the Council on Higher Education Accreditation, the National Association of Independent Colleges and Universities, the International Association of Baptist Colleges and Universities, the Consortium for Global Education, the American Association of Colleges for Teacher Education, and the National Collegiate Athletic Association.

Employees. As of June 1, 2019, the University employed approximately 353 persons, including both full and part-time employees. A breakdown of the employees by area of service, is as follows:

Area of Service	Number of Employees
Maintenance and Custodial	52
Faculty	128
Administration and Staff	173
Total	353

The undergraduate student-faculty ratio is approximately 12 to 1. The average class size is 19. There are 109 full-time teaching faculty members. Seventy-two percent of full-time professors have earned doctoral or other terminal degrees. Seventy percent of full-time professors have earned tenure.

Litigation. There is no material litigation pending or threatened against the Corporation.

Students. Although approximately 64% of the University's 1,633 students enrolled in the 2019-2020 academic year were Arkansas residents, the University enrolls students from 27 states and 33 foreign countries. Approximately 4% of the students enrolled are from Clark County.

Entrance requirements for student enrollment are as follows:

a. A certificate of graduation (transcript) from high school;
b. A high school grade point average of 2.75 on a 4.00 scale; and
c. A satisfactory ACT score (20 for regular admission).

The following is matriculation data for the University for the fall semester indicated:

	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019
Prospects	8,649	9,260	9,126	11,139	12,493	15,456	13,431	37,722	43,438	47,270
Applicants	2,046	2,144	2,013	1,947	2,000	1,993	1,841	1,858	2,247	2,572
Accepted	1,273	1,348	1,267	1,206	1,361	1,200	1,233	1,315	1,438	1,561
Acceptance Rate	62.2%	61.7%	62.9%	61.9%	68.1%	60.2%	67.0%	70.8%	64.0%	60.7%
New Students	504	514	406	446	477	473	453	484	474	487
Freshman Cohort	451	459	363	400	408	412	396	446	427	433
Prospect to Applicant	23.66%	22.69%	22.06%	17.48%	16.01%	12.89%	13.71%	4.93%	5.17%	5.44%
Applicant to New Student	25%	24%	20%	23%	24%	24%	25%	26%	21%	19%
Prospect to New Student	5.83%	5.55%	4.45%	4.00%	3.82%	3.06%	3.37%	1.28%	1.09%	1.03%

NOTES

Prospects: Every prospective student in the University's database for a given year.
Applicants: All applicants for admission for a given year, including new freshmen, returning students and transfers.
New Students: Applicants who matriculated to status as enrolled students.
Freshman Cohort: First time, full time students.
Prospect to Applicant: The percentage of prospects who applied for admission.
Applicant to New Student: The percentage of applicants who matriculated to status as enrolled students.
Prospect to New Student: The percentage of prospects who matriculated to status as enrolled students.

First year retention rates are as follows for the following fiscal years:

Fiscal Year	First Year Retention Rates (%)
2009-2010	81.0
2010-2011	82.0
2011-2012	76.5
2012-2013	76.3
2013-2014	75.8
2014-2015	76.7
2015-2016	80.4
2016-2017	78.9
2017-2018	83.4
2018-2019	79.0

Six year graduation rates are as follows for students beginning their freshman year in following fiscal years:

Fiscal Year	Six Year Graduation Rates (%)
2006-2007	58.9
2007-2008	59.7
2008-2009	57.9
2009-2010	63.6
2010-2011	70.3
2011-2012	63.2
2012-2013	64.2
2013-2014	62.3

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Summary of Enrollments and Revenues. The Pledged Revenues, which secure the repayment of the Bonds, consist of student tuition and fees received by the Corporation. The University operates on a Fiscal Year commencing June 1 and ending May 31 of the following year. Students attend the University for yearly terms which are currently divided into two semesters of seventeen weeks each. Semesters generally commence during the months of August and January. Students may also attend classes in the summer. The summer session consists of four terms. Set forth below is historical data for the University regarding enrollment and student revenues:

Fiscal Year	Headcount Enrollment[1]	Full-Time Equivalent Enrollment[1]	Tuition and Fee Revenues[2]
2005-2006	1,502	1,410	$8,020,622
2006-2007	1,452	1,388	8,350,384
2007-2008	1,448	1,393	9,358,419
2008-2009	1,495	1,438	10,210,747
2009-2010	1,447	1,423	11,661,829
2010-2011	1,503	1,484	13,680,493
2011-2012	1,594	1,568	15,709,810
2012-2013	1,532	1,503	15,494,404
2013-2014	1,543	1,519	16,305,731
2014-2015	1,501	1,445	15,721,137
2015-2016	1,538	1,493	15,568,249
2016-2017	1,517	1,485	15,152,377
2017-2018	1,545	1,515	15,370,483
2018-2019	1,660	1,680	15,541,460

(1) Enrollments for the fall semester.
(2) Revenues for the periods indicated are net of scholarships granted by the University.

The following table lists tuition and fee charges for students at the University for the years indicated:

Fiscal Year	Tuition[1]	Fees [1][2]
2009-2010	9,250	$145
2010-2011	9,680	155
2011-2012	10,080	155
2012-2013	10,480	155
2013-2014	10,930	175
2014-2015	11,400	175
2015-2016	11,800	175
2016-2017	12,200	180
2017-2018	12,650	190
2018-2019	13,100	195
2019-2020	13,640	205

(1) Per Semester.
(2) Activity Fee.

Student Financial Aid. Approximately 99% of the University's student body receives assistance from federal, state, college or private sources. Several criteria are recognized by the University as bases for financial assistance: (1) scholastic achievement, (2) outstanding personal qualities such as leadership and service, (3) demonstrated financial need, and (4) other standards that may be named by the scholarship donors. Most of the University's aid programs stipulate some combination of these criteria. However, some programs seek to reward scholastic achievement regardless of need, while others are designated to meet financial need qualifications only.

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

Fiscal Year	Federal	State	University	Non-Institutional	Total
2008-2009	$6,109,767	$ 936,037	$14,923,441	$1,941,237	$23,910,482
2009-2010	7,356,303	927,444	15,037,588	2,029,476	25,350,811
2010-2011	7,628,026	3,023,417	15,388,973	2,015,737	28,056,153
2011-2012	8,066,482	3,425,991	16,536,435	2,064,882	30,093,790
2012-2013	7,906,668	3,636,665	17,121,671	2,168,366	30,833,370
2013-2014	8,677,415	3,370,219	17,696,849	2,240,623	31,985,106
2014-2015	8,650,135	2,997,788	18,007,029	2,132,766	31,787,718
2015-2016	8,886,700	3,058,293	18,902,557	2,343,697	33,191,247
2016-2017	9,332,563	2,911,807	19,841,486	2,677,740	34,763,596
2017-2018	9,663,666	3,090,014	22,980,939	2,697,741	38,432,260
2018-2019	9,928,561	3,277,969	24,933,196	2,881,764	41,021,490

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Housing. The University is committed to being a residential campus. All unmarried students are required to live in University housing unless they are living with a parent/guardian and commute daily, they are given special permission to live off campus in unusual circumstances, they are 22 years old or older before the last day of the semester, or they have completed eight semesters of residence hall life.

The University owns 10 residence halls, 4 apartment complexes, and 2 student houses. In addition, the University leases two apartment complexes. The total maximum occupancy for the University is 1,579. Set forth below are the names of the residence halls and apartment complexes owned by the University, the use, the capacity, the date constructed and the fall 2019 occupancy:

Name	Use	Maximum Occupancy	Fall 2019 Occupancy	Date Constructed
O. C. Bailey	Men	86	60	1956
Flippen	Men	74	61	1961
Perrin	Men	84	75	1964
Frances Crawford	Women	296	284	1970
Anthony	Men	142	127	1994
Maddox	Women	140	134	1995
Caddo Apartments	Mixed	28	27	1997
Lancelot Apartments	Mixed	40	37	1971
Kluck Hillside Apartments	Mixed	32	27	1950(1)
Starlight Apartments	Mixed	55	50	1971
Gosser Hall	Women	212	210	2009
Tollett Hall	Men	144	137	2009
Everett Hall	Men	66	59	2010
Georgia Hickingbotham	Women	66	60	2010
Stone Apartment	Mixed	72	71	2011
Pine Square	Mixed	32	31	1990
Kelley House	Women	6	6	1992
Speights House	Women	4	4	1996

(1) Renovated in 2018.

The following table presents the number of students living on-campus for the fall semesters of the years indicated:

Fall Semester	Students in University Housing
2013	1,458
2014	1,390
2015	1,356
2016	1,367
2017	1,397
2018	1,418
2019	1,460

Competition. The University competes with other colleges and universities for qualified applicants. The Corporation believes that its most significant competitors are the institutions listed in the table below, which also reflects the reported total charges for undergraduate tuition, fees, room and board at each of those institutions and the University for the Fall 2018 semester. Average net cost is presented for the 2017-2018 academic year, which is the latest information which is available:

Fall 2018 Costs[(1)]

	Tuition & Fees[(2)]	Room & Board[(2)]	Total[(2)]	Rank on Total Cost[(2)]	Average Net Cost[(3)]	Rank on Net Cost	Tuition Increase
Baylor University	$45,542	$12,595	$58,137	1	$35,158	1	4.0%
Samford University	31,650	10,500	42,150	4	30,594	2	3.8
Union University	32,610	10,590	43,200	3	28,462	3	3.5
Dallas Baptist Univ	28,870	7,992	36,862	8	26,731	4	5.1
Mary Hardin-Baylor	28,650	8,446	37,096	6	25,230	5	3.8
Hendrix College	45,790	12,284	58,074	2	22,732	6	3.9
Howard Payne	28,090	8,580	36,670	9	22,493	7	1.4
John Brown Univ	26,928	9,224	36,152	11	22,390	8	3.0
East Texas Baptist	26,370	9,079	35,449	13	21,850	9	3.5
Houston Baptist	32,530	8,328	40,858	5	21,479	10	2.5
Hardin-Simmons	28,990	8,080	37,070	7	21,306	11	5.6
Oklahoma Baptist	28,258	7,618	35,876	12	20,015	12	5.3
Harding University	19,845	7,004	26,849	17	19,580	13	2.4
Ouachita Baptist	26,790	7,880	34,670	14	18,679	14	3.5
Southwest Baptist Univ	24,078	7,720	31,798	15	17,765	15	3.1
Univ of the Ozarks	24,230	7,400	31,630	16	17,208	16	2.0
Williams Baptist College	17,320	8,070	25,390	18	17,051	17	0.0
Central Baptist College	16,200	7,500	23,700	19	16,517	18	2.9
Lyon College	27,340	9,130	36,470	10	15,176	19	5.3
Louisiana College	17,000	5,518	22,518	20	12,572	20	6.3

(1) Source: The Integrated Postsecondary Education Data System (IPEDS).
(2) Fall 2018 semester.
(3) 2017-2018 academic year.

Investment Assets. The following sets forth the fair value of the Corporation's investments as of May 31 for the fiscal years indicated:

Fiscal Year	Amount
2019[1]	$80,848,469
2018[1]	79,523,906
2017[1]	72,008,408
2016[1]	65,655,261
2015	89,627,161
2014	86,949,955
2013	78,495,989
2012	73,847,590

(1) Excludes $17,996,616 for FY 2019, $18,397,553 for FY2018, $18,985,218 for FY2017, and $20,976,311 for FY2016 of internal borrowing, consisting of the Endowment Construction Loan, the Endowment Term Loan and the Endowment Line of Credit. See **THE BONDS**, Other Indebtedness.

The current asset allocation for invested endowment funds is as follows as of May 31, 2019:

Type	Percentage
Domestic Equities	51.4%
International Equities	5.8
Fixed Income	10.8
Internal Debt[1]	20.1
Cash	6.0
Real Estate	2.5
Other Alternative Assets	3.4
	100%

(1)Consists of the Endowment Construction Loan, Endowment Term Loan and the Endowment Line of Credit. See **THE BONDS,** Other Indebtedness.

The endowment assets include both individually directed accounts and mutual funds. Investment policies are established and monitored through an Investment Committee, which is a standing committee of the Board of Trustees of the Corporation. In addition, the Corporation retains independent investment consultants to help analyze investment returns and evaluate manager performance. The portfolio is rebalanced yearly to maintain the approved asset mix.

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The performance data for invested endowment funds for the fiscal years indicated is as follows:

Fiscal Year	Annualized Returns (Loss)%
2012	0.24
2013	11.41
2014	11.63
2015	5.27
2016	0.40
2017	10.47
2018	11.54
2019	3.30

Stephens Inc., one of the Underwriters, provides investment management advice on a portion of the Corporation's endowment.

Capital Campaign. The University's "defining the difference" campaign started in 2010 and was completed in 2016. The total amount raised was $19,125,908. Campaign gifts were allocated to the following priority areas:

Student Scholarships	$5,843,099
Construction and Renovation	9,567,366
Academic Advancement	1,109,872
Global Connectivity	171,534
Undergraduate Research	10,100
Undesignated	2,423,937

Beginning in 2016, the University began raising funds for the President's Innovation Fund which provides funds for the President to use for strategic growth and development of the University. As of May 31, 2019, a total of $2,613,570 has been raised for this campaign.

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The following chart sets forth the total amount of gifts and governmental grants (net of contributions received from the Arkansas State Baptist Convention) received annually for the fiscal years indicated:

Fiscal Year	Amount
2019	$9,189,061
2018	11,022,456
2017	10,992,453
2016	5,798,830
2015	8,861,577
2014	8,254,731
2013	6,304,891
2012	7,627,979
2011	10,652,034
2010	10,031,229
2009	10,940,439

The following chart sets forth the total amount of contributions received from the Arkansas State Baptist Convention for the fiscal years indicated:

Fiscal Year	Amount
2019	$2,947,241
2018	2,975,762
2017	2,984,497
2016	2,982,157
2015	2,970,432
2014	2,996,119
2013	2,978,458
2012	2,919,525
2011	2,905,108
2010	2,949,992
2009	2,952,068

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FINANCIAL INFORMATION

Summary of Unrestricted Revenues and Expenditures. Unrestricted revenue and expenditures of the Corporation are summarized below for the fiscal years and periods indicated:

	Audited				
	2015	2016	2017	2018	2019
Revenues, gains & support					
Gross Tuition and Fees	$32,968,473	$34,001,138	$35,153,455	$37,498,638	$39,307,963
Less: Scholarships & fellowships[(1)]	(17,247,336)	(18,432,889)	(20,001,078)	(22,128,155)	(23,766,503)
Net Tuition & Fees	15,721,137	15,568,249	15,152,377	15,370,483	15,541,460
Private gifts, grants & contributions	4,159,255	3,901,319	4,941,429	5,187,307	5,216,543
Less: Amounts deemed uncollectable	(42,473)	(21,633)	(24,570)	(4,123)	(85,223)
Auxiliary enterprises	10,746,540	10,526,513	10,488,719	11,177,974	11,141,916
Return on investments	450,104	(278,984)	638,089	1,397,164	1,537,489
Loss in excess of temporarily restricted endowment assets	(1,120)	(13,330)	24,782	-	-
Gains restoring prior losses on temporarily restricted endowment assets	-	-	-	8,948	-
Other current revenues	271,480	238,015	210,827	388,698	412,808
Net assets released from restriction	12,184,279	8,254,433	8,914,566	10,172,763	11,462,684
Total revenues, gains & support	$43,489,202	$38,174,582	$40,346,219	$43,699,214	$45,227,677
Expenses:[(2)]					
Instruction	$14,084,420	$14,470,413	$15,276,774	$14,446,254	$14,893,299
Academic support	1,677,948	1,588,109	1,770,378	1,663,755	1,601,476
Student Services	8,023,037	8,033,489	8,790,796	8,709,691	9,368,312
Institutional support	5,297,136	5,013,095	5,327,855	4,988,312	5,508,685
Public service	1,373,032	1,440,543	1,550,512	1,493,491	1,568,502
Auxiliary enterprises	10,062,468	9,080,769	10,252,451	8,891,429	9,126,351
Fund raising	845,271	716,298	829,195	877,746	959,543
Research	243,188	241,283	249,572	204,898	300,560
Total Expenses	$41,606,500	$40,583,999	$44,047,533	$41,275,576	$43,326,728
Income less Expenditures	1,882,702	(2,409,417)	(3,701,314)	2,423,638	1,900,949
Change in unrestricted net assets	$1,882,702	$(2,409,417)	$(3,701,314)	$2,423,638	$1,900,949

[(1)] Beginning in the fiscal year ended May 31, 2017, the Corporation began separating scholarships and fellowships into two categories: funded and unfunded. The total amount of funded scholarships and fellowships was $2,482,275 for the fiscal year ended May 31, 2017, $2,690,053 for the fiscal year ended May 31, 2018, and $2,453,152 for the fiscal year ended May 31, 2019. The total amount of unfunded scholarships and fellowships was $17,518,803 for the fiscal year ended May 31, 2017, $19,438,102 for the fiscal year ended May 31, 2018, and $21,313,351 for the fiscal year ended May 31, 2019.

[(2)] Beginning in the fiscal year ended May 31, 2013, the Corporation began reflecting depreciation expense, amortization expense, and interest expense in the statement of activities of its audited financial statements as an allocation across functional expense line items. Total depreciation expense was $4,023,586 for the fiscal year ended May 31, 2015, $4,100,401 for the fiscal year ended May 31, 2016, $4,026,714 for the fiscal year ended May 31, 2017, $3,931,807 for the fiscal year ended May 31, 2018, and $4,128,999 for the fiscal year ended May 31, 2019. Total amortization expense was $282,887 for the fiscal year ended May 31, 2015, $41,079 for the fiscal year ended May 31, 2016, $58,109 for the fiscal year ended May 31, 2017, $71,691 for the fiscal year ended May 31, 2018, and $66,633 for the fiscal year ended May 31, 2019. Total interest expense was $4,204,511 for the fiscal year ended May 31, 2015, $3,436,121 for the fiscal year ended May 31, 2016, $5,136,583 for the fiscal year ended May 31, 2017, $2,935,495 for the fiscal year ended May 31, 2018, and $2,870,694 for the fiscal year ended May 31, 2019.

Financial Statements. The audited financial statements of the Corporation for the Fiscal Years ended May 31, 2019 and 2018, which have been prepared on the accrual basis of accounting in accordance with accounting and reporting principles for nonprofit organizations generally accepted in the United States of America, are set forth in Appendix B to this Official Statement. The notes provided therein represent an integral part of the audited financial statements, and should be read together with these statements in their entirety. The financial statements of the Corporation for the Fiscal Year ended May 31, 2019 were audited by Hogan Taylor LLP, Certified Public Accountants; a predecessor auditor audited the financial statements for the Fiscal Year ended May 31, 2018.

Assets Released. The following is a breakdown of net assets released from being restricted for the previous year, for the last five fiscal years:

Assets Released	2015	2016	2017	2018	2019
Property, Plant and Equipment	$5,523,767	$863,059	$827,103	$1,948,306	$2,152,366
Scholarships and Fellowships	2,184,569	2,543,214	2,482,275	2,761,305	2,453,152
Governmental Grants and Programs	1,413,332	1,439,454	1,526,280	1,471,535	1,198,251
Instruction	943,840	1,132,817	1,302,016	1,195,040	1,161,123
Institutional Support	12,994	95,269	83,291	132,764	255,864
Student Services	709,034	694,807	765,139	776,581	893,178
Academic Support	4,764	11,343	52,097	15,890	9,511
Public Service	39,481	52,751	58,527	57,525	87,714
Research	225,826	225,045	229,661	190,345	253,566
Auxiliary Enterprises	51,529	50,699	112,469	120,177	70,133
Other Donor Specified Purposes	1,075,143	1,395,975	1,475,708	1,503,295	2,927,826
Clarification of Donor Intent	-	(250,000)	-	-	-

BONDHOLDER RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available during the initial offering period from the Underwriters and thereafter from the Trustee.

General. The Bonds are special, limited obligations of the Issuer, payable solely from certain amounts payable by the Corporation to the Issuer under the Agreement and certain other available moneys specified in the Indenture (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the Bonds and income from the investment thereof). No representation or assurance can be given that the Corporation will realize revenues in amounts sufficient to make such payments under the Agreement with respect to the Bonds and to pay other expenses and obligations of the Corporation. The realization of future revenues is dependent upon, among other things, the capabilities of the management of the University and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

Enrollment. The Corporation believes that the strength of its academic programs, faculty and facilities will cause the demand for its educational programs to remain stable; however, no assurance can be given that it will do so. A significant decrease in the University's enrollment could adversely affect the Corporation's financial position and cash flows and could, in turn, adversely affect the Corporation's ability to make debt service payments on the Bonds at the times and in the amounts contemplated by the Agreement.

Financial Aid. A significant percentage of the University's students receive financial support in the form of federal and state grants, federally backed loans and institutional scholarships and grants from the Corporation. There can be no assurance that the amount of federal or state supported financial aid programs will remain stable or increase in the future. If the amount of such federal or state supported financial aid decreases in the future, there can be no assurance that the Corporation will be able to increase the amount of financial aid provided by it. Any change in the availability of federal or state financial aid would likely adversely affect the University's enrollment. Any significant decrease in enrollment could adversely affect the Corporation's financial position and cash flows and could, in turn, adversely affect the Corporation's ability to make debt service payments on the Bonds at the times and in the amounts contemplated by the Agreement.

Tuition. A significant portion of the Corporation's operating revenues is provided through tuition and related fees. Although the Corporation in the past has been able to raise tuition and related fees without adversely affecting enrollment, there can be no assurance that it will continue to be able to do so in the future, and that the increase will be in amounts sufficient to offset expenses. Future tuition increases and any adverse change in enrollment could adversely affect the Corporation's financial position and cash flows and could, in turn, adversely affect the Corporation's ability to make debt service payments on the Bonds at the times and in the amounts contemplated by the Agreement.

Gifts, Grants and Bequests. The Corporation annually solicits gifts and bequests for both current operating purposes and other needs. There can be no assurance that the amount of gifts, grants and bequests received by the Corporation will remain stable or increase in the future. Any adverse changes in (a) enrollment, (b) tax laws affecting deductibility of charitable contributions and (c) economic conditions could adversely affect the amount of gifts, grants and bequests received by the Corporation, which could adversely affect the Corporation's financial position and results of operations.

Investment Income. A portion of the Corporation's total revenues is derived from income earned on investments of the Corporation's funds. Although the Corporation believes its investments are managed prudently and has adopted policies designed to ensure the prudent management of its investments in the future, there can be no assurance that unforeseen developments in the securities markets will not have an adverse effect on the market value of those investments and the income generated therefrom.

Competition. A key factor in maintaining its revenues is the University's ability to attract a sufficient number of qualified students and faculty. The University competes with higher education institutions located in Arkansas and across the region, including publicly-supported institutions. The Corporation expects to encounter competition in maintaining its recruiting base and seeking to expand its student recruitment. Attracting and retaining qualified faculty is essential to attracting qualified students and is dependent on the Corporation's ability to offer competitive compensation and facilities. No assurances can be given that the University will continue to attract sufficient numbers of qualified students or faculty so that its revenues will be sufficient to make the payments required under the Agreement.

Other Factors Affecting the Financial Performance of the University. One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Corporation's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Administration*. Changes in key administrative personnel could affect the capability of management of the Corporation.

2. *Future Economic Conditions*. Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the University that could increase the proportion of students who are unable to pay the cost of tuition to the Corporation; cost and availability of energy; an inability to control expenses in periods of inflation and difficulties in increasing charges and other fees while maintaining the quality of educational services.

3. *Competition*. Increased competition from other educational institutions, which could adversely affect the enrollment at or revenues of the University, which could force the Corporation to offer discounted rates, or which could adversely affect the ability of the University to attract faculty or other staff.

4. *Organized Labor Efforts*. Efforts to organize employees of the Corporation into collective bargaining units could result in adverse labor actions or increased labor costs.

5. *Environmental Matters*. Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the University. For example, if property of the University is determined to be contaminated by hazardous materials, the Corporation could be liable for significant clean-up costs even if it were not responsible for the contamination.

6. *Natural Disasters*. The occurrence of natural disasters, such as floods or droughts, could damage the facilities of the University, interrupt services or otherwise impair operations and the ability of the Corporation to produce revenues.

Payment, Refinancing and Maturity of Real Estate Note, Endowment Term Loan, Endowment Line of Credit and Endowment Construction Loan. The Corporation is the obligor under the Endowment Term Loan (maturing with a balloon payment on December 15, 2030), the Real Estate Note, the Endowment Line of Credit and the Endowment Construction Loan. See **THE BONDS**, Other Indebtedness. If the Corporation is unable to pay the Endowment Term Loan, the Real Estate Note, the Endowment Line of Credit and the Endowment Construction Loan as due or refinance the debt at or prior to maturity, the Corporation could be forced to liquidate enough assets to pay off the debt. Such an occurrence could adversely affect the Corporation's financial position and cash flows and could, in turn, adversely affect the Corporation's ability to make debt service payments on the Bonds at the times and in the amounts contemplated by the Agreement.

Tax-Exempt Status of the University and the Bonds. *The Corporation*. The Internal Revenue Service ("IRS") has determined as recently as 1997 that the Corporation is an organization described in Section 501(c)(3) of the Code and therefore is exempt from federal income taxation. The maintenance by the Corporation of its tax-exempt status depends, in part, upon its maintenance of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status by the Corporation is contingent upon its compliance with applicable provisions of the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for educational purposes and its avoidance of transactions which may cause its assets to inure to the benefit of private individuals. The failure of the Corporation to remain qualified as a tax-exempt organization (see "IRS Examination and Enforcement Activities" below) could result in substantial tax liabilities on the income of the Corporation and could adversely affect the amount of funds available to pay debt service on the Bonds. Such failure could also cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to their date of issuance (see "The Bonds" below). In addition, the possible modification or repeal of certain existing federal income tax laws or property tax laws or other loss by the Corporation of the present advantages of such laws, or any legislation imposing additional conditions on tax-exempt organizations, could adversely impact the financial position of the Corporation.

The Bonds. The failure of the Corporation to remain qualified as a tax-exempt organization, as well as failure to comply with certain legal requirements relating to the Bonds (see "Tax Matters"), could cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to their date of issuance. In such event, defaults under covenants regarding the Bonds could be triggered and the maturity of the Bonds may be accelerated. The Indenture does not provide for the payment of any additional interest or penalty in the event of the taxability of the interest on the Bonds. The taxation of interest on the Bonds would also adversely affect their price and marketability.

IRS Examination and Enforcement Activities. In recent years, the IRS has increased the frequency and scope of its examination and other enforcement activities regarding tax-exempt organizations and tax-exempt bonds. Currently, the primary penalties available to the IRS under the Code are the revocation of the tax-exempt status of an organization and a determination that interest on tax-exempt bonds is subject to federal income taxation. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations, it could do so in the future. In addition, although the IRS has only infrequently taxed the interest received by holders of bonds that were represented to be tax-exempt, the IRS has examined a number of bond issues and concluded that such bond issues did not comply with applicable provisions of the Code and related regulations. No assurance can be given that the IRS will not examine the Underwriters, a Bondholder, the Corporation or the Bonds. If the Bonds are examined, it may have an adverse impact on their price and marketability. Based on the stated use of proceeds from the sale of the Bonds as described herein, and on representations, warranties and covenants of the Corporation, Bond Counsel will deliver its opinion as to the tax-exemption of interest on the Bonds.

During 2007, the IRS conducted an examination of the Issuer's Refunding Revenue Bonds, Series 2002 and the Issuer's Refunding and Improvement Revenue Bonds, Series 2005. The IRS raised concerns about the tax-exempt status of one of the issues. A closing agreement was signed by the Issuer, the Corporation and the IRS pursuant to which the tax-exempt status of interest on such issues was protected based upon such concerns.

Marketability. The Underwriters may engage in secondary market transactions with respect to the Bonds but it is under no obligation to do so. There is no assurance that a secondary market for the Bonds will develop or that owners who wish to sell their Bonds will be able to do so.

Certain Matters Relating to Enforceability. The remedies available upon a default under the Indenture and the Loan Agreement will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and state laws concerning the use of assets of charitable organizations, the remedies specified in the Indenture and the Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Bonds will be expressly subject to the qualification that the enforceability of the Indenture and the Loan Agreement and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

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DEBT SERVICE REQUIREMENTS

The following table shows amounts required to pay principal of and interest on the Bonds during each fiscal year ending May 31:

Fiscal Year (Ending May 31)	Principal	Interest	Total Debt Service
2020	--	--	--
2021	$280,000	$127,216.88	$407,216.88
2022	490,000	113,512.50	603,512.50
2023	505,000	98,587.50	603,587.50
2024	520,000	83,212.50	603,212.50
2025	250,000	71,662.50	321,662.50
2026	260,000	64,012.50	324,012.50
2027	265,000	57,462.50	322,462.50
2028	270,000	52,112.50	322,112.50
2029	275,000	46,490.63	321,490.63
2030	280,000	40,418.76	320,418.76
2031	290,000	33,825.01	323,825.01
2032	295,000	26,878.13	321,878.13
2033	305,000	19,562.50	324,562.50
2034	310,000	11,875.00	321,875.00
2035	320,000	4,000.00	324,000.00
Totals:	$4,915,000	$850,829.41	$5,765,829.41

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The following table shows amounts required to pay debt service on the Bonds and the Parity Bonds (consisting of the Series 2014 Bonds, the Series 2015 Bonds, and the Series 2016 Bonds) during each fiscal year ending May 31:

Fiscal Year (Ending May 31)	Bonds Debt Service	Series 2016 Bonds Debt Service[1]	Series 2015 Bonds Debt Service[1]	Series 2014 Bonds Debt Service[1]	Total Debt Service
2020	--	$2,669,050.00	$532,243.76	$444,337.50	$3,645,631.26
2021	$407,216.88	2,665,925.00	530,898.76	443,993.76	4,048,034.40
2022	603,512.50	2,670,643.76	538,611.26	442,668.76	4,255,436.28
2023	603,587.50	2,667,893.76	535,056.26	440,618.76	4,247,156.28
2024	603,212.50	2,662,718.76	530,837.50	443,118.76	4,239,887.52
2025	321,662.50	3,091,618.76	536,237.50	439,993.76	4,389,512.52
2026	324,012.50	3,091,418.76	530,212.50	445,750.00	4,391,393.76
2027	322,462.50	3,094,568.76	534,012.50	440,962.50	4,392,006.26
2028	322,112.50	3,095,053.76	532,287.50	445,993.76	4,395,447.52
2029	321,490.63	3,093,393.76	535,212.50	440,481.26	4,390,578.15
2030	320,418.76	3,098,025.00	537,612.50	439,787.50	4,395,843.76
2031	323,825.01	3,090,125.00	537,612.50	442,587.50	4,394,150.01
2032	321,878.13	3,095,000.00	537,012.50	444,787.50	4,398,678.13
2033	324,562.50	3,090,150.00	530,812.50	446,387.50	4,391,912.50
2034	321,875.00	3,095,800.00	534,212.50	447,387.50	4,399,275.00
2035	324,000.00	3,089,000.00	531,812.50	442,787.50	4,387,600.00
2036	--	3,093,400.00	532,687.50	441,850.00	4,067,937.50
2037	--	3,093,400.00	537,712.50	440,275.00	4,071,387.50
2038	--	3,094,000.00	531,675.00	443,062.50	4,068,737.50
Totals:	$5,765,829.41	$56,641,185.08	$10,146,760.04	$8,416,831.32	$80,970,605.85

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[1] The outstanding principal amount of the Parity Bonds by series is as follows: Series 2014 - $5,835,000, Series 2015 - $7,050,000, and Series 2016 - $39,255,000.

The following table sets forth amounts required to pay debt service on the Bonds, the Parity Bonds, the Endowment Term Loan, the Real Estate Note, and the Endowment Construction Loan (but not the Endowment Line of Credit†) for each fiscal year ending May 31:

Fiscal Year (Ending May 31)	Bonds	Parity Bonds[(1)]	Endowment Term Loan[(2)]	Endowment Construction Loan	Real Estate Note[(3)]	Total Debt Service
2020	--	$3,645,631.26	$1,002,444.00	$118,128.96	$59,330.04	$4,825,534.26
2021	$407,216.88	3,640,817.52	1,002,444.00	118,128.96	59,330.04	5,227,937.40
2022	603,512.50	3,651,923.78	1,002,444.00	118,128.96	59,330.04	5,435,339.28
2023	603,587.50	3,643,568.78	1,002,444.00	118,128.96	59,330.04	5,427,059.28
2024	603,212.50	3,636,675.02	1,002,444.00	118,128.96	59,330.04	5,419,790.52
2025	321,662.50	4,067,850.02	1,002,444.00	118,128.96	59,330.04	5,569,415.52
2026	324,012.50	4,067,381.26	1,002,444.00	118,128.96	59,330.04	5,571,296.76
2027	322,462.50	4,069,543.76	1,002,444.00	118,128.96	59,330.04	5,571,909.26
2028	322,112.50	4,073,335.02	1,002,444.00	118,128.96	51,361.91	5,567,382.39
2029	321,490.63	4,069,087.52	1,002,444.00	118,128.96	--	5,511,151.11
2030	320,418.76	4,075,425.00	1,002,444.00	--	--	5,398,287.76
2031	323,825.01	4,070,325.00	12,309,317.92	--	--	16,703,467.93
2032	321,878.13	4,076,800.00	--	--	--	4,398,678.13
2033	324,562.50	4,067,350.00	--	--	--	4,391,912.50
2034	321,875.00	4,077,400.00	--	--	--	4,399,275.00
2035	324,000.00	4,063,600.00	--	--	--	4,387,600.00
2036	--	4,067,937.50	--	--	--	4,067,937.50
2037	--	4,071,387.50	--	--	--	4,071,387.50
2038	--	4,068,737.50	--	--	--	4,068,737.50
Totals:	$5,765,829.41	$75,204,776.44	$23,336,201.92	$1,181,289.60	$526,002.23	$106,014,099.60

(1) The outstanding principal amount of the Parity Bonds by series is as follows: Series 2014 - $5,835,000, Series 2015 - $7,050,000, and Series 2016 - $39,255,000.

(2) The Endowment Term Loan matures on December 15, 2030, but management of the Corporation expects to pursue a refinancing of such indebtedness before the maturity date. See **THE BONDS**, Other Indebtedness.

(3) The Real Estate Note matures on March 31, 2028 and bears interest at the rate of 5.50%. See **THE BONDS**, Other Indebtedness.

† See **THE BONDS**, Other Indebtedness with respect to the Endowment Line of Credit.

DEBT SERVICE COVERAGE

Historical Coverage Based on Pledged Revenues. The obligations of the Corporation under the Agreement are secured by a pledge of the Pledged Revenues which consists of tuition and fees. The following table reflects Pledged Revenues available for debt service based on the audited financial statements of the Corporation for the preceding two fiscal years ended May 31:

	Fiscal Year Ending May 31, 2019	2018
Total Pledged Revenues[(A)(1)]	$15,541,460	$15,370,483
Maximum Annual Debt Service for the Bonds and the Parity Bonds[(B)(2)]	4,399,275	4,399,275
Historical Coverage on Pledged Revenues[(A/B)]	3.53x	3.49x

(1) Revenues for the periods indicated are net of scholarships granted by the University.
(2) Based upon a twelve (12) month period ending May 31; debt service requirements are for the Bonds and the Parity Bonds. See **DEBT SERVICE REQUIREMENTS** herein.

Historical Coverage Based Change on Unrestricted Net Assets of Corporation. The following table sets forth the debt service coverage ratio (**excluding debt service on the Endowment Term Loan and the Endowment Construction Loan**) using the change in unrestricted net assets of the Corporation for the two preceding fiscal years ended May 31 based on the audited financial statements of the Corporation.

	Fiscal Year Ending May 31, 2019	2018
University Operating Revenues (Unrestricted)	$45,227,677	$43,699,214
University Operating Expenses (Unrestricted)	(43,326,728)	(41,275,576)
Change in Net Assets from University Unrestricted Operations	1,900,949	2,423,638
Plus: Depreciation	4,128,999	3,931,807
Amortization	66,633	71,691
Interest	2,870,694	2,935,495
Available for Debt Service[(A)]	$8,967,275	$9,362,631
Maximum Annual Debt Service[(B) (1)]	4,451,336	4,451,336
Coverage[(A/B)]	2.01x	2.10x

(1) See **DEBT SERVICE REQUIREMENTS** herein. Based upon a twelve (12) month period; maximum debt service requirements for the Bonds, the Parity Bonds, and the indebtedness represented by the Real Estate Note (**excluding debt service on the Endowment Term Loan, the Endowment Construction Loan, and the Endowment Line of Credit**) described under **THE BONDS**, Other Indebtedness.

The following table sets forth the debt service coverage ratio (including debt service on the Endowment Term Loan and the Endowment Construction Loan) using the change in unrestricted net assets of the Corporation for the two preceding fiscal years ended May 31 based on the audited financial statements of the Corporation.

	Fiscal Year Ending May 31, 2019	2018
University Operating Revenues (Unrestricted)	$45,227,677	$43,699,214
University Operating Expenses (Unrestricted)	(43,326,728)	(41,275,576)
Change in Net Assets from University Unrestricted Operations	1,900,949	2,423,638
Plus: Depreciation	4,128,999	3,931,807
Amortization	66,633	71,691
Interest	2,870,694	2,935,495
Available for Debt Service(A)	$8,967,275	$9,362,631
Maximum Annual Debt Service(B) (1)	5,571,909	5,571,909
Coverage(A/B)	1.61x	1.68x

(1) See **DEBT SERVICE REQUIREMENTS** herein. Based upon a twelve (12) month period; maximum debt service requirements for the Bonds, the Parity Bonds and the indebtedness represented by the Endowment Term Loan, the Endowment Construction Loan, and the Real Estate Note (**but not the Endowment Line of Credit**) described under **THE BONDS**, Other Indebtedness, excluding the fiscal year ending May 31, 2031 in which the Endowment Term Loan balloon payment is due. The Endowment Term Loan matures on December 15, 2030. The Corporation expects to pursue a refinancing of such indebtedness before maturity.

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SUMMARY OF PORTIONS OF THE AGREEMENT

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Agreement.

Issuance of the Bonds. Pursuant to the Agreement, the Issuer agrees to issue the Bonds to accomplish the refunding of the Series 2013 Bonds. Upon the issuance of the Bonds, the Issuer will deposit the proceeds from the Bonds with the Trustee. An amount equal to the accrued interest, if any, to be paid for the Bonds shall be deposited in the Bond Fund. The amount necessary to provide a debt service reserve for the Bonds at the Debt Service Reserve Requirement shall be deposited in the Debt Service Reserve Fund. The amount necessary, along with other funds, to accomplish the refunding of the Series 2013 Bonds will be deposited with the Trustee. The balance of the proceeds, which will be an amount not exceeding 2% of the proceeds of the Bonds, shall be deposited in the Issuance Cost Fund.

Investment of Moneys. The Trustee shall, at the direction of the Corporation, continuously invest and reinvest moneys held for the credit of the Debt Service Reserve Fund in investments permitted by the Agreement ("Permitted Investments") maturing not later than five years from the date of investment. In the absence of direction from the Corporation, the Trustee shall invest and reinvest such moneys in a fund comprised exclusively of Governmental Obligations. Money held for the credit of any other fund or account created in the Indenture shall, to the extent practicable, be invested and reinvested in Permitted Investments which shall mature not later than the date or dates on which the money held for credit of the particular fund shall be required for the purposes intended. The Trustee shall so invest and reinvest pursuant to instructions from the Corporation.

The obligations so purchased as an investment of moneys in any such fund or account shall be deemed at all times a part of such fund. Investment earnings and profits will be applied to pay arbitrage rebate or deposited into the Bond Fund.

Term of Agreement and Installment Loan Payments. The Term of Agreement commenced as of February 1, 1994 and, unless sooner terminated as provided in the Agreement, shall expire on September 1, 2034, or on the date that all of the Bonds and all fees and charges of the Issuer, the Trustee, and any paying agents have been fully paid or provision made for such payment, whichever is later; provided, however, that the Agreement may be terminated prior to such date if the Corporation exercises its option to prepay the amounts payable under the Agreement pursuant to the terms thereof.

The Corporation agrees to pay to the Issuer during the Term of Agreement on or before one (1) business day prior to any interest payment date for the Bonds, such being March 1 and September 1 of each year, commencing September 1, 2020 or any other date fixed for the redemption of any or all of the Bonds pursuant to the Indenture, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, a sum which, together with other moneys available therefor in the Bond Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon redemption or acceleration or otherwise) and interest on the Bonds as provided in the Indenture. In addition, the Corporation shall deposit into the Bond Fund, on or before the 15th day of each month, commencing in March 2020, the following amounts: a sum equal to 1/6 of the next installment of interest and 1/12 of the installment of principal due during the then next twelve months of the Bonds, the Series 2014 Bonds, the Series 2015 Bonds, and the Series 2016 Bonds; provided, however, that the monthly payments with respect to the Bonds for March 2020 through August 2020 shall be increased to include 1/6 of the principal of the Bonds due September 1, 2020.

In addition, during the Term of Agreement, the Corporation shall pay the principal of and interest when due on the Parity Bonds and any Additional Bonds and the reasonable fees and expenses of the Trustee and any paying agents and the reasonable fees and expenses of the Issuer.

The Corporation will also pay the amount, if any, required to be deposited in the Debt Service Reserve Fund in order to cause the amount on deposit therein to equal the Debt Service Reserve Requirement.

The obligation of the Corporation to make payments is absolute and unconditional, and in the event the Corporation should fail to make any payments, the item or installment so in default shall continue as an obligation of the Corporation until the amount in default shall have been fully paid.

Taxes and Governmental and Utility Charges. The Corporation agrees to pay or cause to be paid during the Term of Agreement all taxes and governmental charges of any kind lawfully assessed or levied upon the University or any part thereof, all utility and other charges incurred in the operation, maintenance, use, occupancy, and upkeep of the University; and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the University, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Corporation shall be obligated to pay only such installments as are required to be paid during the Term of Agreement.

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

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

In addition, the Corporation shall have the privilege of remodeling the University or making substitutions, additions, modifications, and improvements to the University from time to time as the Corporation, in its sole discretion, may deem to be desirable for its use for such purposes as are permitted by the Act, the cost of which remodeling, substitutions, additions, modifications, and improvements shall be paid by the Corporation; provided, however, that such remodeling, substitutions, modifications, and improvements shall not interfere with the operation of the University or in any way damage the University, and provided that the University, as remodeled, improved, or altered, upon completion of such remodeling, substitutions, modifications, and improvements shall be of a value not less than the value of the University immediately prior to the improvements. The Corporation will not permit any mechanic's lien to be established or remain against the University for labor or materials furnished in connection with any remodeling, substitutions, additions, modifications, improvements, repairs, renewals, or replacements, provided that the Corporation may in good faith contest any such lien and not pay the same unless by such nonpayment the lien of the Agreement as to the Pledged Revenues and the Indenture as to the payments will be materially endangered or the University or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items.

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

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

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

Damage, Destruction, and Condemnation. Unless the Corporation shall have exercised its option to prepay the amounts payable under the Agreement pursuant to certain provisions of the Agreement (see Options to Prepay Loan Upon the Occurrence of Certain Events), if the University or any portion thereof is destroyed in whole or in part or is damaged by fire or other casualty, or title to or any interest in, or the temporary use of, the University or any portion thereof shall be taken under the exercise of the power of eminent domain, the Corporation shall be obligated to continue to pay the amounts specified in the Agreement.

Prior to any completion date for any project being financed by an issue of Indenture Bonds, the Issuer, the Trustee and the Corporation will cause the net proceeds of any insurance proceeds or any condemnation award resulting from any of the foregoing events to be deposited in the project fund for such Indenture Bonds and to be disbursed therefrom as provided in the Agreement and the Indenture. Subsequent to any completion date, the Issuer, the Trustee and the Corporation will cause the net proceeds of any insurance proceeds or any condemnation award resulting from any of the foregoing events to be deposited in a separate trust fund, provided that Net Proceeds in an amount less than $100,000 shall be paid directly to the Corporation. All Net Proceeds shall be applied in one or more of the following ways as directed by the Corporation:

(1) To the prompt repair, restoration, modification, or improvement of the University by the Corporation; or

(2) To the redemption of the Outstanding Indenture Bonds, provide that no part of the Net Proceeds may be applied for such redemption unless:

(a) all of the Outstanding Indenture Bonds are to be redeemed in accordance with the Indenture upon the prepayment of the amounts payable under the Agreement, or

(b) if less than all of the Outstanding Indenture Bonds are to be redeemed, the Corporation shall furnish to the Issuer and the Trustee an acceptable certificate stating (i) that the portion of the University that was damaged or destroyed or was taken by such condemnation proceedings is not essential to the use of possession of the University by the Corporation or (ii) that the University has been repaired, restored, modified, or improved to enable the University to operate as designed.

In the event the Net Proceeds are insufficient, the Corporation will nonetheless complete the work and will pay any cost in excess of the amount of the Net Proceeds.

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

Removals from University; Gifts. The Corporation may not dispose of its cash or demolish, remove, or dispose of any real property, structures, furnishings, machinery, equipment, or other improvements now or hereafter existing as part of the University, except as stated below:

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

(b) Except as provided in (a) above, if the Corporation in its sole discretion determines that (i) any real property, structure, furnishing, machinery, equipment, or other improvement now or hereafter constituting a part of the University has become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary, or its disposal as hereinafter provided is in the best interests of operation of the University, or (ii) a donation, gift, or transfer of its cash to another entity is desirable, the Corporation may give written notice thereof to the Trustee (if the fair market value of the property or the amount of cash to be transferred is less than $25,000, then notice to the Trustee is not required), and then demolish or remove such property from the University, and may, to the extent permitted by law, sell, trade-in, exchange, or otherwise dispose of same, in whole or in part, or may donate, give away, or transfer such cash provided that either:

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

(2) The Corporation shall demolish, remove, or dispose of any such property from time to time at its own cost and expense, without any obligation on the part of the Corporation to provide any property in replacement of or substitution for that demolished, removed, or disposed of or may donate, give away, or transfer such cash if the fair market value of such property or the amount of cash to be transferred is less than $25,000. If the fair market value of the property to be demolished, removed or disposed of or the amount of cash to be transferred is $25,000 or more than the following terms and conditions must first be satisfied:

(i) prior to such demolition, removal, disposal, donation, gift, or transfer the Corporation must give to the Trustee written notice thereof, setting forth a brief description of the property to be demolished, removed, or disposed of and the net book value thereof as shown on the books of the Corporation or the amount of cash to be donated, given away, or transferred; and

(ii) the Corporation must submit to the Trustee a certificate of its chief executive officer and its chief financial officer and acceptable to the Trustee determining that the property to be demolished, removed, or disposed of has become obsolete, inadequate, worn out, unsuitable, undesirable, or unnecessary or its disposal is in the best interest of the Corporation's operation of the University and that its demolition, removal, or disposal will not impair the structural soundness, efficiency, or economic value of the University and to the effect that the demolition, removal, or disposal of the property to be demolished, removed, or disposed of, or the donation, gift, or transfer of cash will not cause the Pledged Revenues available for Debt Service in the Fiscal Year following the Fiscal Year in which the demolition, removal, or disposal of such property occurs to be less than 135% of the maximum Annual Debt Service for any subsequent Fiscal Year.

Covenants of the Corporation. The Corporation covenants as follows:

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

(a) Within one hundred eighty (180) days after the end of the preceding Fiscal Year, an audit report covering the operations of the Corporation, which includes the statement of financial position of the Corporation, and the related statements of activities, changes in net assets, and cash flows for the year ended that date, reported on by independent public accountants.

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

(c) Within one hundred twenty (120) days after the end of the preceding Fiscal Year, a certification that the Corporation is in compliance with all covenants and agreements made by the Corporation and contained in the Agreement.

(2) The Corporation agrees to fix, maintain, and charge tuition and fees for use of the University and for services provided by the University such that Pledged Revenues in each Fiscal year will not be less than 125% of the maximum Annual Debt Service on all Outstanding Indenture Bonds in the Fiscal Year thereafter.

The Corporation has also agreed, beginning with the Fiscal Year ending May 31, 2020 and thereafter, to fix, maintain, and charge tuition and fees for use of the University and for services provided by the University, or to collect or recognize such additional revenues, such that the "Net Revenues Available for Debt Service" (as defined below) in each Fiscal Year will not be less than 100% of the maximum Annual Debt Service on Outstanding Bonds, Parity Bonds and Additional Bonds in the Fiscal Year thereafter.

The Corporation further covenants that if in any Fiscal Year the Net Revenues Available for Debt Service shall be less than the amount required by the preceding paragraph, it will, before the 15th day of the fifth month of the then next following Fiscal Year, employ a Consultant to examine the tuition, fees, charges and other revenue source of the Corporation and the methods of operation of the Corporation and the University and make such recommendations to the Corporation as the Consultant believes are appropriate to enable the Corporation to produce Net Revenues Available for Debt Service in such following Fiscal Year as are required by the preceding paragraph. If in the judgment of the Consultant it is not possible for the Corporation to meet the requirements of the preceding paragraph, the report of the Consultant shall so indicate and shall further indicate the projected ratio of Net Revenues Available for Debt Service to maximum Annual Debt Service on the Outstanding Bonds, Parity Bonds and Additional Bonds if the recommendations of the Consultant are followed. The recommendations of the Consultant will be filed with the Trustee and Issuer. The Corporation covenants that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, it shall revise its tuition, fees, charges and other sources of revenues or its methods of operation with respect to the University and shall take such other action as shall be in conformity with such recommendations. If the Corporation complies with the provisions of this paragraph, it shall for the Fiscal Year in which such Consultant is employed and for the subsequent Fiscal Year, be excused from compliance with the provisions of the preceding paragraph provided, however, that the Corporation fixes, charges and collects or causes to be fixed, charged and collected tuition, fees, charges and other sources of revenues for the use of and for the services furnished or to be furnished by the Corporation which shall be sufficient in such Fiscal Year to produce Net Revenues Available for Debt Service in amounts required to pay debt service on its indebtedness (including the Outstanding Bonds, Parity Bonds, and Additional Bonds) as due; but this paragraph shall not be construed as in any way excusing the Corporation from taking any action or performing any duty required under any other section of the Agreement or be construed as constituting a waiver of any other event of default under the Agreement.

"Net Revenues Available for Debt Service" means the total of all unrestricted revenues, income, receipts and money received by or on behalf of the Corporation from any and all sources whatsoever (other than proceeds of borrowing and other than revenues, income, receipts and money received by the Corporation as agent of someone other than the Corporation) including, but without limiting the generality of the foregoing, (i) net tuition and fees (being gross tuition and fees less scholarship and fellowship allowances), (ii) unrestricted gifts, grants and contributions, (iii) auxiliary enterprises revenues, (iv) return on investments (excluding unrealized gains or losses), (v) net assets released from restriction, (vi) unrestricted amounts received for governmental grants and programs, and (vii) all other revenue, remaining after deduction of the Corporation's operating expenses (other than depreciation, amortization, and interest expense); provided, however, that no determination of Net Revenues Available for Debt Service shall take into account any (a) gain or loss resulting from either the extinguishment or refinancing of indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, or (b) unrealized gains and losses on investments or hedging transactions, or (c) termination amounts or mark to market on investments or hedging transactions, or (d) audit restatements, or (e) any "other than temporary" impairment loss, or (f) non-recurring, unanticipated gains or losses that are considered to be extraordinary under generally accepted accounting principles.

(3) The Corporation agrees that during the Term of Agreement it will maintain its corporate existence, will continue to be a nonprofit Corporation in good standing in the State, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it, provided that the Corporation may, without violating the foregoing, consolidate with or merge into another legal entity, or permit one or more legal entities to consolidate with or merge into it, or sell or otherwise transfer to another legal entity all or substantially all of its assets as an entirety and thereafter dissolve, provided (i) that the surviving, resulting, or transferee legal entity, as the case may be, shall have net assets (excluding restricted net assets), as determined in accordance with generally accepted accounting principles, immediately subsequent to such acquisition, consolidation, merger, or transfer equal to at least that of the Corporation immediately prior to such acquisition, consolidation, merger, or transfer; (ii) that such acquisition, consolidation, merger, or transfer will not affect the tax-exempt status of the interest on the Bonds; and (iii) that if the surviving, resulting, or transferee legal entity, as the case may be, is not the Corporation, then such legal entity shall be a legal entity organized and existing under the laws of one of the states of the United States of America, shall be qualified to do business in the State, shall be a Tax-Exempt Organization, and shall assume all of the obligations of the Corporation under the Agreement, in which event the Issuer shall release the Corporation in writing, concurrently with and contingent upon such acquisition, consolidation, merger, or transfer, and the Trustee shall be furnished a certificate from the chief financial officer of the Corporation stating that in the opinion of such officer none of the covenants contained in the Agreement will be violated as a result of such acquisition, consolidation, merger, or transfer.

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

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

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

(a) Failure by the Corporation to pay the amounts required to be paid under the Agreement relating to the payment of the principal of and the interest on the Indenture Bonds as the same become due, at the times specified therein;

(b) Failure by the Corporation to observe and perform any covenant, condition, or agreement on its part to be observed or performed, other than as referred to in paragraph (a) above, for a period of thirty (30) Business Days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Corporation by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to any extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Corporation within the applicable period and diligently pursued until the default is corrected; or

(c) Certain events of bankruptcy, dissolution, liquidation, or reorganization by the Corporation.

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

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

(1) By written notice to the Corporation, declare an amount equal to all amounts then due and payable on the Outstanding Indenture Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages and not as a penalty;

(2) Have reasonable access to and inspect, examine, and make copies of the books and records and any and all accounts, data, and income tax and other tax returns of the Corporation during regular business hours of the Corporation if reasonably necessary in the opinion of the Trustee;

(3) Take whatever action at law or in equity which may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the Corporation under the Agreement; and/or

(4) Proceed by appropriate judicial action to foreclose the security interest in the Pledged Revenues.

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

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

Option to Prepay Loan Upon the Occurrence of Certain Events. The Corporation shall have, and is hereby granted, the option to terminate the Term of Agreement and prepay the amounts payable under the Agreement prior to the full payment of the Bonds (or provision for payment thereof having been made in accordance with the provision of the Indenture) at any time any of the events set forth below shall occur:

(a) The University shall have been damaged or destroyed (i) to such extent that it cannot be reasonably restored within a period of six (6) months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Corporation is thereby prevented, in the Corporation's judgment, from carrying on its normal operations at the University for a period of six (6) months or more, or (iii) to such extent that the cost of restoration thereof would exceed the Net Proceeds of insurance required to be carried thereon pursuant to the requirements of Section 4.6 of the Agreement.

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

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

SUMMARY OF PORTIONS OF THE INDENTURE

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Indenture.

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

Application of Bond Fund. The Bond Fund, into which the payments made pursuant to the Agreement and certain other amounts specified in the Indenture will be deposited, will be maintained with the Trustee. Moneys in the Bond Fund shall be used for the payment of the principal of and interest on the Bonds and for the redemption of the Bonds prior to maturity.

Repayment to the Corporation. Any amounts remaining in the Bond Fund, Debt Service Reserve Fund or any other fund created under the Indenture after payment in full of the principal of and interest on the Bonds, the fees, charges, and expenses of the Trustee, the amounts required to be rebated to the United States, and all other amounts required to be paid under the Indenture shall be paid immediately to the Corporation.

Discharge of Lien. The lien of the Indenture shall be discharged if:

(1) The principal of and interest due or to become due on the Bonds at the time and in the manner stipulated therein have been paid or provision for payment has otherwise been made to or for the owners of the Bonds;

(2) There shall be no Default in any of the covenants and promises in the Bonds and in the Indenture; and

(3) The Issuer shall cause to be paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture.

Any Bond shall be deemed to be paid when (a) payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture) either (i) shall have been made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment and/or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the Trustee's satisfaction. At such time as a Bond shall be deemed to be paid as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

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

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

Defaults and Remedies. Any of the following events will constitute a Default under the Indenture:

(1) Default in the due and punctual payment of interest on any Outstanding Indenture Bond;

(2) Default in the due and punctual payment of the principal of any Outstanding Indenture Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(3) Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Issuer contained in the Indenture or in the Outstanding Indenture Bonds and failure to remedy the same after notice as provided in the Indenture; or

(4) The occurrence of a "Default" under the Agreement. See **SUMMARY OF PORTIONS OF THE AGREEMENT**, Events of Default.

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

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

Waiver of Event of Default. The Trustee may waive any Default under the Indenture and its consequences and rescind any declaration of acceleration of principal, and shall do so upon the written request of the owners of (a) more than two-thirds (2/3) in aggregate principal amount of all Outstanding Indenture Bonds in respect of which Default in the payment of principal or interest, or both, exists or (b) more than two-thirds (2/3) in aggregate principal amount of all Outstanding Indenture Bonds in the case of any other Default; provided, however, that there may not be waived any Default in the payment of the principal of or interest on any Outstanding Indenture Bonds unless prior to such waiver or rescission all arrearages of principal and interest (other than principal of or interest on the Outstanding Indenture Bonds which became due and payable by declaration of acceleration), and all expenses of the Trustee in connection with such Default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, and the owners of the Outstanding Indenture Bonds shall be restored to their former positions and rights under the Indenture, but no such waiver or rescission shall extend to any subsequent or other Default or impair any right consequent thereon.

Supplemental Indenture. The Issuer and the Trustee may enter into indentures supplemental to the Indenture without notice to or the approval of the Registered Owners for any one or more of the following purposes:

(1) To cure any ambiguity or formal defect or omission in the Indenture;

(2) To grant to or confer upon the Trustee for the Benefit of the Registered Owners any additional rights, remedies, powers, or authorities that may lawfully be granted to or conferred upon the Registered Owners or the Trustee;

(3) To subject to the lien of the Indenture additional revenues, properties, or collateral;

(4) To modify, amend, or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(5) To provide for the issuance of Additional Bonds pursuant to the provisions of the Indenture; or

(6) To evidence the appointment of a separate Co-Trustee or the succession of a new Trustee under the Indenture; or

(7) To make such additions, deletions, or modifications as may be necessary to assure compliance with Section 145 of the Code relating to qualified 501(c)(3) obligations, Section 148(f) of the Code relating to required rebate of excess investment earnings to the United States, or otherwise as may be necessary to assure exemption from gross income of interest on the Bonds for federal income tax purposes.

Exclusive of supplemental indentures for the purposes set forth in the previous paragraph, the consent of the owners of not less than two-thirds (2/3) in aggregate principal amount of the Outstanding Indenture Bonds is required to approve any supplemental indenture, except no supplemental indentures shall permit without the consent of the owners of all Outstanding Indenture Bonds (1) an extension of the maturity of the principal of or the interest on any Bond, (2) a reduction in the principal amount of any Bond or the rate of interest thereon, (3) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (4) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture or any modification or waiver of the provisions of the Agreement, (5) the creation of any lien ranking prior to or on a parity with the lien of the Indenture of the Trust Estate, or any part thereof, except as permitted by the Indenture, or (6) the deprivation of the owner of any Bond of the lien of the Indenture.

No supplemental indenture will become effective unless and until the Corporation shall have consented to the execution and delivery thereof.

Amendments to the Agreement. Except as otherwise provided in the Agreement or the Indenture, no amendment, change, or modification of the Agreement is permissible without the written consent of the Trustee. Pursuant to the provision of the Indenture, the consent of the owners of at least two-thirds (2/3) of the principal amount of all Outstanding Indenture Bonds is also required for any such amendment, change, or modification of the Agreement, except for amendments, changes, or modifications required (i) by the provisions of the Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) to more precisely identify a project financed by Indenture Bonds or substitute or to add additional improvements or equipment to a project financed by Indenture Bonds in accordance with the provisions of the Agreement, (iv) to enter into an indenture or indentures supplemental to the Indenture as provided in the Indenture, (v) to provide for the issuance of Additional Bonds for the purposes set forth in the Agreement and in accordance with the provisions of the Indenture, (vi) to make such additions, deletions, or modifications as may be necessary to assure compliance with Section 145 of the Code relating to qualified 501(c)(3) obligations, Section 148(f) of the Code relating to required rebate of Excess Investment Earnings to the United States, or otherwise as may be necessary to assure exclusion from gross income of interest on the Bonds for federal income tax purposes, or (vii) in connection with any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Registered Owners. However, the consent of the owners of all Outstanding Indenture Bonds is required for any amendment, change, or modification of the Agreement that would permit the termination or cancellation of the Agreement or a reduction in or a postponement of the payments under the Agreement or any change in the provisions relating to the payment thereunder.

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SUMMARY OF PORTIONS OF THE CONTINUING DISCLOSURE AGREEMENT

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

Purpose of the Agreement. The Continuing Disclosure Agreement is executed and delivered by the Corporation and Regions Bank for the benefit of the Beneficial Owners of the Bonds and in order to assist the Original Purchasers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in Appendix A hereto, the following capitalized terms shall have the following meanings when used under this caption **SUMMARY OF PORTIONS THE CONTINUING DISCLOSURE AGREEMENT:**

"Annual Report" shall mean any Annual Report provided by the Corporation, as described hereinafter under the subheading "Provision of Annual Reports."

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

"Disclosure Representative" shall mean the Chief Financial Officer of the Corporation, or his or her designee, or such other person as the Corporation shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean Regions Bank, acting in its capacity as Dissemination Agent under the Continuing Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Corporation and which has filed with the Trustee a written acceptance of such designation.

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

"Financial Obligation" shall mean a

(A) debt obligation;

(B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed hereinafter under the subheading **Reporting of Listed Events**.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Original Purchasers" shall mean Stephens Inc. and Crews & Associates, Inc., the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

Provision of Annual Reports. The Corporation shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Corporation's Fiscal Year (presently ending on May 31 in each year), commencing with the Fiscal Year ending May 31, 2020, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Corporation shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the Corporation may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the Corporation. If the Corporation's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(i) The following general categories of financial information and operating data with respect to the Corporation for the prior Fiscal Year:

(a) Matriculation data, first year retention rates and six year graduation rates as set forth under **THE CORPORATION AND THE UNIVERSITY**, Students;

(b) Enrollment figures, tuition and fee revenues, student tuition charges and fees, as set forth under the caption **THE CORPORATION AND UNIVERSITY**, Summary of Enrollments and Revenues in the Official Statement;

(c) Information regarding the sources of student financial aid, as set forth under the caption **THE CORPORATION AND UNIVERSITY**, Student Financial Aid, in the Official Statement;

(d) Number of students in University housing;

(e) Information of the type described under **THE CORPORATION AND THE UNIVERSITY**, Investment Assets;

(f) The total amount of gifts received and total amount of contributions received from the Arkansas State Baptist Convention; and

(g) A breakdown of net assets released from being restricted for the previous fiscal year; and

(ii) The Corporation's audited financial statements for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated by the Financial Accounting Standards Board ("FASB"), as in effect from time to time. If the Corporation's audited financial statements are not available by the time its Annual Report is required to be filed, the Annual

Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement for the Bonds, and the audited financial statements shall be filed in the same manner as such Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Corporation is an "obligated person" (as defined by the Rule), which have been filed the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Corporation shall clearly identify each such other document so included by reference.

Reporting of Listed Events. (a) The Corporation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to rights of Bondholders, if material;

(iv) optional, contingent or unscheduled Bond calls, if material;

(v) defeasances and tender offers;

(vi) rating changes;

(vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-status of the Bonds, or other material events adversely affecting the tax status of the Bonds;

(viii) unscheduled draws on debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on credit enhancements reflecting financial difficulties;

(x) substitution of credit or liquidity providers, or their failure to perform;

(xi) release, substitution or sale of property securing repayment of the Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar event of the Corporation;

(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 Corporation, 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;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; or

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Corporation promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsection (f) below.

(c) After the occurrence of a Listed Event, because of a notice from the Trustee as provided in Subsection (b) above or otherwise, the Corporation shall determine, in a timely manner which will allow the Dissemination Agent to file the notice within the time frame prescribed by Subsection (f), if such event must be reported under applicable federal securities laws.

(d) If the Corporation has determined that the occurrence of a Listed Event must be reported under applicable federal securities laws, the Corporation shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence as provided in Subsection (f) below.

(e) If in response to a request as provided in Subsection (b) above, the Corporation determines that such occurrence would not be required to be reported under applicable federal securities laws, the Corporation shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence as provided in Subsection (f) below.

(f) If the Dissemination Agent has been instructed by the Corporation to report the occurrence of a Listed Event, the Dissemination Agent shall file, in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, with through its continuing disclosure service portal provided through EMMA at http://emma.msrb.org, or any other similar system that is acceptable to the Securities and Exchange Commission, and the Corporation. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(iv) and (v) above 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. 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.

(g) The Trustee shall provide the Corporation with notice of the occurrence of the change of name of the Trustee in a timely manner which will allow the Corporation to make a filing of a Listed Event within the time-frame set forth in this Section.

<u>Termination of Reporting Obligation</u>. The obligations of the Corporation under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Corporation's obligations under the Loan Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with the Continuing Disclosure Agreement in the same manner as if it were the Corporation, and the Corporation shall have no further responsibility thereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Corporation shall give notice of such termination or substitution in the same manner as for a Listed Event.

<u>Dissemination Agent</u>. The Corporation may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Corporation pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent for the Corporation. The initial Dissemination Agent shall be Regions Bank.

<u>Amendment; Waiver</u>. Notwithstanding any other provision of the Continuing Disclosure Agreement, the Corporation, the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination

Agent) may amend the Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Corporation), and any provision of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If such amendment or waiver relates to the provisions requiring the filing of Annual Reports with the MSRB by certain dates, the content of Annual Reports, or the Listed Events to be reported, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an "Obligated Person" (as defined in the Rule) with respect to the Bonds, or the type of business conducted;

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

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

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

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

Default. In the event of a failure of the Corporation or the Dissemination Agent (if the Trustee is not the Dissemination Agent) to comply with any provision of the Continuing Disclosure Agreement, the Participating Underwriter, any Beneficial Owner or the Trustee may (and, at the request of the Original Purchaser or the Bondowners of at least 25% aggregate principal amount of Outstanding Bonds, the Trustee shall), take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Corporation or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. In the event of a failure of the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Participating Underwriter, the Corporation or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Trustee to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Corporation or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the Corporation 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 under the Continuing Disclosure Agreement, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. Such indemnification obligations of the Corporation shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery 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 issue the Bonds.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel. Certain matters will be passed upon for the Corporation by Bryan T. McKinney, Esq.

Tax Exemption. In the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from all State income taxes and the Bonds are exempt from property taxation in the State.

In the opinion of Bond Counsel, interest on the Bonds under existing law 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. The opinion set forth in the previous sentence is subject to the condition that the Issuer and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the Corporation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Corporation and the Issuer have covenanted to comply with all such requirements.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (ii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

The Issuer and the Corporation have designated the Bonds as "qualified tax-exempt obligations." The Corporation has covenanted not to use the facilities refinanced with proceeds of the Bonds in a manner which would cause the Bonds not to be "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. The Issuer has represented that the Issuer and its subordinate entities have not and will not issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds (excluding from that term "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code) during calendar year 2020.

Prospective purchasers of the Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code Annotated. Subsection (b) states that Section 265(a) of the Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Development of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. On December 20, 2017, Congress passed The Tax Cuts and Jobs Act (the "Tax Legislation"), which, for tax years beginning after December 31, 2017, among other things, significantly changes the income tax rates for individuals and corporations, modifies the current provisions relative to the federal alternative minimum tax on individuals and eliminates the federal alternative minimum tax for corporations. The Tax Legislation or the introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at a premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth inside the front cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

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

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

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Indenture may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium law in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Underwriting. Stephens Inc. and Crews & Associates, Inc., the Underwriters, have agreed, subject to certain conditions precedent, to purchase the Bonds from the Issuer at an aggregate purchase price of $4,936,103.93 (principal amount plus net original issue premium of $69,704.80 less Underwriters' discount of $48,600.87). The Underwriters are committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriters for reoffering in the normal course of the Underwriters' business activities. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

Information in the Official Statement. 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. This Official Statement is not to be construed as a contract or agreement between the Issuer and purchasers or owners of any of the Bonds.

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 the 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 therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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

CITY OF ARKADELPHIA, ARKANSAS
PUBLIC EDUCATION FACILITIES BOARD
(OUACHITA BAPTIST UNIVERSITY)

By /s/ Rick Mays
Chairman

OUACHITA BAPTIST UNIVERSITY

By /s/ Dr. Ben Sells
President

Dated: As of the cover page hereof.

APPENDIX A

DEFINITIONS

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

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants to whom the Trustee makes no reasonable objection.

"Additional Bonds" means bonds of the Issuer issued on a parity of security with the Bonds pursuant to this Indenture.

"Agreement" means the Loan Agreement, dated as of February 1, 1994, between the Issuer and the Corporation, and any amendments and supplements thereto, including the First Supplemental Loan Agreement dated as of July 1, 1999, the Second Supplemental Loan Agreement dated as of December 1, 2002, the Third Supplemental Loan Agreement dated as of September 1, 2005, the Fourth Supplemental Loan Agreement dated as of June 1, 2008, the Fifth Supplemental Loan Agreement dated as of October 1, 2009, the Sixth Supplemental Loan Agreement dated as of December 1, 2012, the Seventh Supplemental Loan Agreement dated as of June 1, 2013, the Eighth Supplemental Loan Agreement dated as of December 1, 2014, the Ninth Supplemental Loan Agreement dated as of January 1, 2015, the Tenth Supplemental Loan Agreement dated as of September 28, 2016, and the Eleventh Supplemental Loan Agreement dated as of February 25, 2020.

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

"Authorizing Legislation" means the "Public Facilities Boards Act," Title 14, Chapter 137 of the Arkansas Code of 1987 Annotated, all acts supplemental thereto or amendatory thereof.

"Authorizing Ordinance" means Ordinance No. 483 of the Board of Directors of the City, duly adopted on October 20, 1988, creating the Issuer.

"Bond Counsel" means Friday, Eldredge & Clark, LLP, and its successors, or such other nationally recognized bond counsel as may be designated by the Issuer, the Corporation or the Trustee.

"Bond Fund" means the fund created in the Indenture.

"Bondowner" or "owner of the Bonds" means the Registered Owner of any Bond.

"Bonds" means the $4,915,000 aggregate principal amount of the Issuer's Refunding Revenue Bonds, Series 2020, issued pursuant to the Indenture.

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

"City" means the City of Arkadelphia, Arkansas.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consultant" shall mean a person or organization not in the regular employ of the Corporation or the University, qualified to study operations and financial affairs of private universities and colleges, having a favorable national reputation for skill and experience in such work and, unless otherwise specified in the Agreement, selected and employed by the Corporation.

"Corporation" means (i) Ouachita Baptist University, a nonprofit corporation described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code**,** and (ii) any surviving, resulting, or transferee entity as provided in the Agreement.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Indenture Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Debt Service Reserve Fund" means the fund created in the Indenture.

"Fiscal Year" means the year ending May 31 or any other date adopted by the Corporation, with the written approval of the Trustee.

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

"Indenture" means the Trust Indenture, dated as of February 1, 1994, pursuant to which the Bonds are authorized to be issued, and any amendments and supplements thereto, including the First Supplemental Trust Indenture, dated as of July 1, 1999, the Second Supplemental Trust Indenture, dated as of December 1, 2002, the Third Supplemental Trust Indenture, dated as of September 1, 2005, the Fourth Supplemental Trust Indenture, dated as of June 1, 2008, the Fifth Supplemental Trust Indenture dated as of October 1, 2009, the Sixth Supplemental Trust Indenture dated as of December 1, 2012, the Seventh Supplemental Trust Indenture dated as of June 1, 2013, the Eighth Supplemental Trust Indenture dated as of December 1, 2014, the Ninth Supplemental Trust Indenture dated as of January 1, 2015, the Tenth Supplemental Trust Indenture dated as of September 28, 2016, and the Eleventh Supplemental Trust Indenture dated as of February 25, 2020.

"Indenture Bonds" means the Bonds, the Parity Bonds and any Additional Bonds.

"Issuance Costs" means all costs and expenses of issuance of the Bonds, including, but not limited to: (i) underwriters' discount and fees; (ii) counsel fees, including bond counsel, Corporation's counsel, and any other specialized counsel fees; (iii) Trustee's fees and Trustee's counsel fees; (iv) Paying Agent and certifying and authenticating agent fees related to issuance of the Bonds; (v) printing costs of the Bonds and of the preliminary and final official statement; (vi) publication costs associated with the financing proceedings; and (vii) costs of engineering and feasibility studies necessary to the issuance of the Bonds.

"Issuance Cost Fund" means the fund created by the Indenture.

"Issuer" means the City of Arkadelphia, Arkansas Public Education Facilities Board (Ouachita Baptist University), a body corporate and politic of the City, created by the Authorizing Ordinance, duly organized and existing under the laws of the State, and its successors and assigns.

"Net Proceeds" means with respect to any insurance proceeds from policies required by Section 4.6 of the Agreement or any condemnation award, the amount of proceeds or award remaining after deducting from the gross proceeds or award all expenses (including attorneys' fees) incurred in the collection of such proceeds or award.

"Net Revenues Available for Debt Service" means the total of all unrestricted revenues, income, receipts and money received by or on behalf of the Corporation from any and all sources whatsoever (other than proceeds of borrowing and other than revenues, income, receipts and money received by the Corporation as agent of someone other than the Corporation) including, but without limiting the generality of the foregoing, (i) net tuition and fees (being gross tuition and fees less scholarship and fellowship allowances), (ii) unrestricted gifts, grants and contributions, (iii) auxiliary enterprises revenues, (iv) return on investments (excluding unrealized gains or losses), (v) net assets released from restriction, (vi) unrestricted amounts received for governmental grants and programs, and (vii) all other revenue, remaining after deduction of the Corporation's operating expenses (other than depreciation, amortization, and interest expense); provided, however, that no determination of Net Revenues Available for Debt Service shall take into account any (a) gain or loss resulting from either the extinguishment or refinancing of indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, or (b) unrealized gains and losses on investments or hedging transactions, or (c) termination amounts or mark to market on investments or hedging transactions, or (d) audit restatements, or (e) any "other than temporary" impairment loss, or (f) non-recurring, unanticipated gains or losses that are considered to be extraordinary under generally accepted accounting principles.

"Original Purchasers" means the first purchasers of the Bonds from the Issuer.

"Outstanding" means all Indenture Bonds which have been authenticated and delivered by the Trustee under the Indenture, except: (a) Indenture Bonds canceled after purchase in the open market or because of payment at, or redemption prior to, maturity; (b) Indenture Bonds paid or deemed paid pursuant to the Indenture; (c) Indenture Bonds canceled after exchanges or transfers pursuant to the Indenture; and (d) Indenture Bonds in lieu of which others have been issued, authenticated, and delivered pursuant to the Indenture.

"Parity Bonds" means the Issuer's Refunding Revenue Bonds, Series 2014, in the original principal amount of $6,710,000, issued pursuant to the Indenture, the Issuer's Refunding Revenue Bonds, Series 2015, in the original amount of $8,100,000, issued pursuant to the Indenture, and the Issuer's Refunding Revenue Bonds, Series 2016, in the original principal amount of $40,710,000, issued pursuant to the Indenture.

"Paying Agent" or "Paying Agents" means the Trustee and such financial institutions as are appointed additional Paying Agents pursuant to the Indenture.

"Pledged Revenues" means all student tuition and fee revenues received by the Corporation.

"Record Date" means, with respect to any Bond, (i) that date which is fifteen (15) days next preceding any interest payment date or (ii) the date of the mailing of notice calling such Bond or portions thereof for redemption.

"Registered Owner" means the person or person in whose name or names a Bond shall be registered on the book of the Issuer kept by the Trustee for that purpose in accordance with the provisions of the Indenture.

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

"State" means the State of Arkansas.

"Tax-Exempt Organization" means a nonprofit corporation organized and existing under the laws of one of the states of the United States which is an organization described in Section 501(c)(3) of the Code, exempt from federal income taxes under Section 501(a) of the Code or any successor provision of similar import hereafter enacted.

"Term of Agreement" means the term of the Agreement as specified in the Agreement.

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

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

"University" means the four-year, degree-granting institution of post-secondary education operated by the Corporation in the City under the name "Ouachita Baptist University."

APPENDIX B

AUDITED FINANCIAL STATEMENTS

OUACHITA BAPTIST UNIVERSITY

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

MAY 31, 2019 and 2018

WITH

INDEPENDENT AUDITOR'S REPORTS

HoganTaylor LLP
CPAs + ADVISORS

CONTENTS

HoganTaylor LLP
CPAs + ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ouachita Baptist University

Report on the Financial Statements

We have audited the accompanying financial statements of Ouachita Baptist University, which comprise the statement of financial position as of May 31, 2019, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ouachita Baptist University as of May 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, Ouachita Baptist University adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

The financial statements of Ouachita Baptist University as of and for the year ended May 31, 2018, were audited by other auditors, whose report, dated August 28, 2018, expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019, on our consideration of Ouachita Baptist University's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ouachita Baptist University's internal control over financial reporting and compliance.

Hogan Taylor LLP

Little Rock, Arkansas
September 5, 2019

OUACHITA BAPTIST UNIVERSITY

STATEMENTS OF FINANCIAL POSITION

May 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 9,342,269	$ 16,558,136
Cash and cash equivalents, debt service reserve and bond account	6,050,752	6,391,803
Accounts receivable - student, net	383,580	202,321
Accounts receivable - federal programs	656,558	584,531
Other receivables	94,984	43,418
Contributions receivable, net	1,612,813	936,524
Notes receivable	49,722	41,943
Student loans receivable, net	425,856	593,319
Investments, at fair value	66,313,559	60,856,116
Interests in perpetual trusts	20,936,977	20,491,469
Interests in charitable trusts	6,614,793	6,432,361
Investment in real estate	1,959,614	1,103,718
Supplies inventories	370,153	404,290
Property, plant and equipment, net	88,445,694	88,357,853
Other assets	1,607,134	1,464,617
Total assets	$ 204,864,458	$ 204,462,419
Liabilities and Net Assets		
Accounts payable and other accrued expenses	$ 1,104,265	$ 1,275,320
Accrued payroll liabilities	687,758	599,592
Prepaid tuition	416,206	284,738
Deferred revenue	1,157,260	610,337
Refundable advances on federal government loans	351,853	356,623
Notes payable	57,178,483	59,303,075
Other liabilities	257,780	553,502
Total liabilities	61,153,605	62,983,187
Net assets:		
Without donor restrictions	20,342,785	18,441,836
With donor restrictions	123,368,068	123,037,396
Total net assets	143,710,853	141,479,232
Total liabilities and net assets	$ 204,864,458	$ 204,462,419

See notes to financial statements.

OUACHITA BAPTIST UNIVERSITY

STATEMENT OF ACTIVITIES

Year ended May 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and support			
Gross tuition and fees	$ 39,307,963	$ -	$ 39,307,963
Less: scholarships and fellowships (funded)	(2,453,152)	-	(2,453,152)
Less: scholarships and fellowships (unfunded)	(21,313,351)	-	(21,313,351)
Net tuition and fees	15,541,460	-	15,541,460
Private gifts, grants and contributions	5,216,543	5,073,336	10,289,879
Less: amounts deemed uncollectible	(85,223)	(11,773)	(96,996)
Governmental grants and programs	-	1,943,419	1,943,419
Auxiliary enterprises	11,141,916	-	11,141,916
Return on investments	1,537,489	3,594,391	5,131,880
Other revenues	412,808	1,289,068	1,701,876
Change in value of split-interest agreements	-	(95,085)	(95,085)
Net assets released from restriction	11,462,684	(11,462,684)	-
Total revenues, gains and support	45,227,677	330,672	45,558,349
Expenses			
Instruction	14,893,299	-	14,893,299
Student services	9,368,312	-	9,368,312
Public service	1,568,502	-	1,568,502
Research	300,560	-	300,560
Auxiliary enterprises	9,126,351	-	9,126,351
Academic support	1,601,476	-	1,601,476
Institutional support	5,508,685	-	5,508,685
Fundraising	959,543	-	959,543
Total expenses	43,326,728	-	43,326,728
Changes in net assets	1,900,949	330,672	2,231,621
Net assets, beginning of year	18,441,836	123,037,396	141,479,232
Net assets, end of year	$ 20,342,785	$ 123,368,068	$ 143,710,853

See notes to financial statements.

OUACHITA BAPTIST UNIVERSITY

STATEMENT OF ACTIVITIES

Year ended May 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and support			
Gross tuition and fees	$ 37,498,638	$ -	$ 37,498,638
Less: scholarships and fellowships (funded)	(2,690,053)	-	(2,690,053)
Less: scholarships and fellowships (unfunded)	(19,438,102)	-	(19,438,102)
Net tuition and fees	15,370,483	-	15,370,483
Private gifts, grants and contributions	5,187,307	6,964,540	12,151,847
Less: amounts deemed uncollectible	(4,123)	18,885	14,762
Governmental grants and programs	-	1,831,609	1,831,609
Auxiliary enterprises	11,177,974	42,792	11,220,766
Return on investments	1,397,164	8,940,712	10,337,876
Gains restoring prior losses on temporarily restricted endowment assets	8,948	(8,948)	-
Other revenues	388,698	943,588	1,332,286
Change in value of split-interest agreements	-	718,390	718,390
Net assets released from restriction	10,172,763	(10,172,763)	-
Total revenues, gains and support	43,699,214	9,278,805	52,978,019
Expenses			
Instruction	14,446,254	-	14,446,254
Student services	8,709,691	-	8,709,691
Public service	1,493,491	-	1,493,491
Research	204,898	-	204,898
Auxiliary enterprises	8,891,429	-	8,891,429
Academic support	1,663,755	-	1,663,755
Institutional support	4,988,312	-	4,988,312
Fundraising	877,746	-	877,746
Total expenses	41,275,576	-	41,275,576
Changes in net assets	2,423,638	9,278,805	11,702,443
Net assets, beginning of year	16,018,198	113,758,591	129,776,789
Net assets, end of year	$ 18,441,836	$ 123,037,396	$ 141,479,232

OUACHITA BAPTIST UNIVERSITY

STATEMENTS OF CASH FLOWS

Years ended May 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 2,231,621	$ 11,702,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,136,642	4,003,497
Accretion of bond discount	66,633	8,097
Losses on disposal of property, plant and equipment	10,489	-
Provisions for uncollectible receivables	96,996	(2,532)
Net unrealized and realized gains on investments	(778,778)	(7,824,957)
Noncash gifts, grants and contributions	(734,463)	(4,789,352)
Change in value of split-interest agreements	95,085	(718,390)
Distributions from charitable trusts	11,438	561,084
Contributions restricted for endowment and plant improvements	(2,137,728)	(6,082,518)
Changes in assets and liabilities:		
Accounts receivable	(253,286)	190,268
Other receivables	(51,566)	127,885
Contributions receivable	(676,289)	3,098,535
Other assets	(108,380)	63,380
Accounts payable	(171,055)	199,248
Other liabilities	(76,088)	368,209
Deferred revenue	546,923	(98,972)
Net cash provided by operating activities	2,208,194	805,925
Cash Flows from Investing Activities		
Purchases of investments	(22,981,870)	(31,721,986)
Proceeds from sales or maturities of investments	17,447,309	39,036,951
Purchases of property, plant and equipment	(4,239,272)	(2,568,275)
Proceeds from disposition of property, plant and equipment	4,300	23,500
Net decrease in student loans and notes receivables	62,688	174,715
Net cash provided by (used in) investing activities	(9,706,845)	4,944,905
Cash Flows from Financing Activities		
Contributions restricted for endowment	2,137,728	5,107,800
Contributions restricted for plant improvements	-	974,718
Principal payments on notes payable	(2,191,225)	(2,184,633)
Decrease in refundable advances on federal government loans	(4,770)	(260,801)
Net cash provided by (used in) financing activities	(58,267)	3,637,084
Net change in cash and cash equivalents	(7,556,918)	9,387,914
Cash and cash equivalents, beginning of year	22,949,939	13,562,025
Cash and cash equivalents, end of year	$ 15,393,021	$ 22,949,939
Supplemental Disclosure		
Cash and cash equivalents	$ 9,342,269	$ 16,558,136
Cash and cash equivalents, debt serve reserve	6,050,752	6,391,803
	$ 15,393,021	$ 22,949,939

See notes to financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of activities

Ouachita Baptist University (Ouachita) is a Christ-centered learning community committed to fostering a love of God and a love of learning. Embracing the liberal arts tradition, the university prepares individuals for ongoing intellectual and spiritual growth, lives of meaningful work, and reasoned engagement with the world.

Ouachita was authorized by a vote of the Arkansas Baptist State Convention as its higher educational institution in November 1885. In April 1886, the trustees of the university voted to locate the institution in Arkadelphia, Arkansas. Classes began on September 6, 1886, and the institution has operated without interruption in the same location since that date.

Since its founding in 1886, Ouachita has aimed to unite a broad-based education in the liberal arts with preparation for service in a variety of fields. In the context of an overarching fidelity to Christian faith and practice, Ouachita's educational mission remains rooted in the liberal arts tradition and oriented toward preparing graduates for meaningful work. The hope is Ouachita graduates not only accomplish their highest vocational aspirations, but also live with a sense of purpose, act with abiding integrity, and joyfully serve their communities.

Ouachita's revenues are derived principally from student tuition and fees. The remainder is derived by income from the endowment fund, gifts from Arkansas Baptist churches through the Cooperative Program of the Arkansas Baptist State Convention, and by current gifts. Substantial support from Arkansas Baptists, alumni, former students, and other friends makes it possible for Ouachita to provide the highest quality educational opportunities at a cost that is among the lowest of all accredited private colleges and universities in the nation. Every student shares in the benefits generated by gifts and grants.

Ouachita has an enrollment of over 1,500 students from 30 states and 30 nations with a student-to-faculty ratio of 13 to 1. This allows students to get to know their professors on a personal level as role models and mentors. Learn more about Ouachita at obu.edu.

Basis of presentation

Ouachita uses the accrual basis of accounting for financial reporting purposes in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and cash equivalents

For presentation in the statement of cash flows, cash and cash equivalents include cash on hand, bank deposits, certificates of deposits, and all highly liquid cash instruments with original maturities of three months or less.

Contributions receivable

Ouachita recognizes and classifies unconditional promises to give as contributions receivable and grant or contribution support in the period received and in the appropriate net asset class based on donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions receivable expected to be collected in one year or less are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Changes in fair value are reported in the statement of activities as increases or decreases in grant and contribution support as they occur. Management believes that the use of fair value reduces the cost of measuring unconditional contributions receivable in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those receivables were measured using present value techniques and historical discount rates. An allowance for uncollectible contributions receivable is maintained at a level that management believes is adequate to value contributions receivable at the amount estimated to be collectible based upon such factors as prior collection history, type of contribution, and nature of fundraising activity. Because of the uncertainty described above and the inherent uncertainty involved with the estimation process related to contributions receivable, it is reasonably possible that management's estimate of the recorded allowance may change in the near term.

Revenue recognition

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Donor-restricted support, including support in which restriction are met in the same period as received, is reported as an increase in net assets with donor restriction. When a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported on the statement of activities as net assets released from restriction. Investment earnings are recorded as net assets without donor restriction or net assets with donor restriction according to the terms of the governing documents. Expenses are reported as decreases in net assets without donor restriction. Changes or clarification in donor-imposed restrictions may cause certain net assets to be reclassified between net asset classifications. These reclassifications are reported as net assets released from restrictions among applicable net asset classes. Tuition and fees are recognized at established rates, net of financial aid and scholarships provided directly to students, in the period in which educational services are primarily provided. Funded scholarships and fellowships are provided from donor-restricted support received for scholarships whereas unfunded scholarships and fellowships represent institutional discounts.

Use of estimates

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

Student accounts receivable and loans

Student accounts receivable are carried at unpaid account balances, less an allowance for uncollectible accounts of approximately $196,000 and $68,000 as of May 31, 2019 and 2018, respectively.

Student loans receivable are carried at unpaid principal balances, less an allowance for uncollectible loans. The allowance for uncollectible loans is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on Federal Perkins Loan Program (FPLP) requirements, Ouachita's past loan loss experience, adverse situations that may affect the borrower's ability to repay, the estimated value of an underlying collateral, and current economic conditions. Ouachita's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The Department of Education (DOE) has notified schools that the FPLP has expired and that no FPLP loan disbursements are permitted. Ouachita will continue to administer the remaining FPLP student loans and follow the guidelines from the DOE on the wind-down of the FPLP.

Investments

Ouachita's investments are reported at their estimated fair values in the accompanying statements of financial position. Fair values for money market funds are based on cost, which approximates fair value.

Fair value for stocks, mutual funds, real estate investment trust funds, and other publicly traded securities are based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities, broker quotes, third-party pricing models, net asset values, and other relevant information generated by market transactions. Debt securities are valued using pricing models maximizing the use of observable inputs for similar securities. For investment securities traded in a market that is not active, fair value is determined using unobservable inputs. Mineral interests, consisting primarily of oil and gas producing properties, are valued at a multiple of historical revenues. The estimated fair value of alternative assets is based on the most recent valuations provided by the external investment managers. Management believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Other investments for which fair value is not readily determinable are included in the statement of financial position at cost. Management believes any differences between cost and fair value for these investments are not material.

Ouachita has investments held in various common trust funds managed by the Arkansas Baptist Foundation (ABF) of the Arkansas Baptist State Convention, a nonprofit organization. Income from each common fund is distributed regularly to participating accounts. Contributions and withdrawals from each common fund are calculated at net asset value. Fair values for common funds are determined by ABF at the net asset value of units held at each month end based on the fair values of underlying assets held by the funds. Ouachita has limited transparency into the underlying positions of common funds and therefore cannot independently assess the value of these underlying positions through a public exchange or over the counter market. Common funds managed by ABF are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment trusts and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62), and are exempt from registration requirements of Arkansas state security laws pursuant to an order issued by the Arkansas Securities Commissioner. A summary of the objectives and underlying securities included in ABF common funds are as follows:

> *Demand Cash Fund*: The Demand Cash Fund is managed with the objective of earning interest and maintaining a constant net asset value.
>
> *Balanced Fund*: The Balanced Fund maintains a balance of primarily fixed income investments including treasuries; insured CDs; debt securities including mortgage-backed securities and collateralized mortgage obligations issued by government, government agencies or investment grade bonds; and preferred stock. The objective of the Balanced Fund is to provide current income and some growth to counteract inflation.

Spending Plan Fund: The Spending Plan Fund is a broadly diversified portfolio designed for total return. The Spending Plan Fund's objective is to seek total return while distributing a predetermined annual percentage as set by ABF's board.

Total Return Fund: The Total Return Fund maintains primarily a balance of U.S. and international stocks and bonds, along with some fixed income and alternative investments. The objective of the Total Return Fund is to provide growth with some current income.

Gift Annuity Fund: The Gift Annuity Fund maintains primarily a balance of U.S. and international stocks and bonds, along with some fixed income and alternative investments. The objective of the Gift Annuity Fund is to provide growth and some current income.

In obtaining valuation information from third-party providers, Ouachita's management has evaluated the valuation methodologies used to develop the fair values in order to determine whether such valuations are representative of an exit price in its principal markets. While management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Unrealized gains and losses are included in changes in net assets. Purchased investments are initially recorded at cost at the date of acquisition and subsequently remeasured at fair value. Investments received by gift are recorded at fair value as of the date the gifts are received.

Ouachita invests in a diversified mix of financial instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities. Significant fluctuations in fair values could occur and the amounts Ouachita will ultimately realize could differ materially from their current carrying values.

Interests in perpetual trusts

Ouachita is a party to a number of perpetual trusts held and administered by the Arkansas Baptist Foundation and various other organizations. Under the terms of these trusts, Ouachita has the irrevocable right to receive the income earned on such trust assets in perpetuity, but will never receive the assets of the trusts. These arrangements have been recorded at the fair value of the assets held in the trust, unless circumstances indicate that this value differs from the present value of the expected future cash flows from the trusts.

Interests in charitable trusts

Ouachita is also the beneficiary of a number of charitable trusts and a charitable lead unitrust. Upon termination of these trusts, Ouachita will receive the assets remaining in the trusts. The donors of these trusts may place restrictions on the use of these assets or they may be available for unrestricted use. These trusts are recorded at the present value of the estimated future benefits expected to be received.

Charitable gift annuities

Ouachita is the beneficiary of a number of charitable gift annuities. Under the terms of these agreements, the donors contribute assets to Ouachita in exchange for a promise by Ouachita to pay certain amounts for a specified period of time to the donor or to donor-specified beneficiaries. Included in other liabilities in the accompanying financial statements are annuities payable under these agreements totaling approximately $384,000 and $391,000 at May 31, 2019 and 2018, respectively. This liability is revalued annually and represents the present value of estimated future payments to the annuitants over their life expectancy, discounted at 5% as of May 31, 2019 and 2018.

Credit risk

Financial instruments which subject Ouachita to concentrations of credit risk consist primarily of investments in long-term corporate and U.S. government and agency bonds. Credit risk for student accounts and loans receivable, accounts receivable from federal programs, grants receivable, other accounts and notes receivable, and contributions receivable is represented by the carrying value of those receivables. Substantially all of these receivables are unsecured. At May 31, 2019, Ouachita had bank deposits in several area banks in excess of Federal Deposit Insurance Corporation's insured limits. Ouachita also invests excess cash in short-term investment sweep accounts managed by area banks. Management periodically reviews the soundness of these financial institutions and believes that these deposits are not exposed to significant credit risk.

Supplies inventories

Inventories consist of chemistry items, print shop supplies, and maintenance items. Supplies inventories are valued at cost.

Property, plant, and equipment

Property, plant and equipment is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts, except properties acquired prior to May 31, 1960, which are recorded at their appraised value at that date, less accumulated depreciation. Ouachita generally capitalizes all individual expenditures for property, plant, and equipment in excess of $1,500. Depreciation is computed on the straight-line method, using composite balances for library books, over the estimated useful lives of the assets (2 to 80 years).

Ouachita records impairments to its property, plant, and equipment when it becomes probable that the carrying values of these assets will not be fully recovered over the estimated remaining lives of the assets. Impairments, if any, are recorded to reduce the carrying value of the asset to net realizable value based on facts and circumstances in existence at the time of the determination, anticipated future economic conditions, and other available information.

Endowment funds

Ouachita's endowment consists of approximately 611 individual funds and split-interest agreements established over many years for a variety of purposes. Endowment fund balances include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. Endowment fund balances, including funds functioning as endowments, are classified and reported as net assets with and without donor restrictions in accordance with donor specifications.

Ouachita follows the Arkansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its own governing documents to manage its endowment funds. Its Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Ouachita classifies as net assets with donor restrictions: the original value of gifts donated to the endowment; the original value of subsequent gifts donated to the endowment; and, if directed by the donor gift instrument, accumulations to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with donor gift instruments and the standard of prudence prescribed by UPMIFA. Ouachita considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds, the purposes of the donor-restricted endowment funds, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investment, other resources, and its investment policies.

Ouachita has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to activities supported by its endowment funds while also preserving the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve a stable and continuously growing income stream as well as capital appreciation. The majority of endowment assets are invested in Ouachita's Endowment Pool (Pool). The Pool is made up of a diversified asset mix that includes equity, fixed income and cash equivalent securities, real estate, other alternative investments, and internal notes receivable. The Pool is invested in a manner that is intended to produce results (net of spending) that exceed the Consumer Price Index on a consistent basis over time while assuming a moderate level of investment risk. To satisfy its long-term return objectives, Ouachita relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Ouachita targets a diversified asset allocation that is intended to be more aggressive than fixed income oriented portfolios and less aggressive than equity oriented portfolios to achieve its long-term return objectives within prudent risk constraints. The investment policies related to Ouachita's interests in perpetual trusts and charitable trusts are determined by the trustees of those trusts rather than Ouachita.

Ouachita utilizes a spending rate approach to designate a portion of its endowment investment returns to support current operational budget requirements. Amounts distributed from the investment returns for pooled investments in any one year may include interest, dividends, and a portion of accumulated investment gains. The distribution is based on 5.74% for the year ended May 31, 2019, and 5.83% for the year ended May 31, 2018, of the average market value of the Pool for the preceding three years. Under this policy, investment returns in some periods may not be sufficient to fully fund distributions. Under those circumstances, distributions in excess of investment returns are considered to be funded from cumulative undistributed investment returns from prior years.

At May 31, 2019 and 2018, the fair value of the assets of certain donor-restricted endowments was less than the amount required to be retained permanently by approximately $22,000 and $13,000, respectively. During the years ended May 31, 2019 and 2018, gains restoring the fair value of the assets of donor-restricted endowment funds to their required levels increased unrestricted net assets by approximately $9,000.

<u>Collections</u>

Ouachita's collections are made up of items of historical significance and art objects that are held for educational purposes. Each of the items is preserved and cared for, and activities verifying their existence and assessing their condition are performed periodically. The collections, which were acquired through contributions since Ouachita's inception, are not recognized as assets in the statements of financial position.

Deferred revenue

Deferred revenue consists of amounts received under a contract with Ouachita's auxiliary services provider that have not yet been earned.

Net assets classification

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* – Net assets without donor restrictions are net assets free from donor-imposed restrictions. These funds are maintained and distributed at the discretion of the Board of Directors of Ouachita.
>
> *Net assets with donor restrictions* – Net assets with donor restrictions are net assets whose use by Ouachita has been designated by donors to a specified time period or purpose.

Functional allocation of expenses

The expenses of providing various programs and support services have been categorized on a functional basis in the statement of activities. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

Income taxes

Ouachita is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Ouachita is also exempt from state income taxes under similar provisions of state law. Ouachita is no longer subject to federal or state tax examinations by tax authorities for years ended prior to May 31, 2016.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 basis of presentation.

Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing GAAP revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,* which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018, for nonpublic entities. Early adoption is allowed for annual reporting periods beginning after December 16, 2016. Ouachita has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. A practicability exception will be available for equity investments that do not have readily determinable fair values; however, the exception requires entities to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for fiscal years beginning after December 31, 2017. As a result, Ouachita has elected to early adopt ASU 2016-01 and the adoption did not have a material impact on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU: (1) replaces the three current classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes – "net assets with donor restrictions" and "net assets without donor restrictions;" (2) expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowments; (3) requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses; (4) requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk; and (5) requires investment returns to be presented net of external and direct internal investment expenses. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. Ouachita adopted this ASU as of and for the year ended May 31, 2019. As a result, changes in terminology used to describe categories of net assets throughout the financial statements were made as well as expanded footnote disclosures as required by this ASU. Ouachita elected to not disclose the classification of functional expenses (Note 12) and liquidity and availability of resources (Note 13) for 2018 as permitted under the ASU in the year of adoption.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on specific cash flow issues. The ASU is effective fiscal years beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. Ouachita is currently evaluating the effect that the updated standard will have on the financial statements.

<u>Subsequent events</u>

Ouachita has evaluated subsequent events through September 5, 2019, which is the date these financial statements were available to be issued.

Note 2 – Contributions Receivable, Net

Contributions receivable were expected to be collected as follows at May 31:

	2019	2018
Receivable in one year or less	$ 644,651	$ 690,070
Receivable in one through five years	1,069,012	292,329
Receivable in more than five years	-	25,000
	1,713,663	1,007,399
Less: discount to net present value	(71,026)	(34,182)
Allowance for uncollectible contributions receivable	(29,824)	(36,693)
Contributions receivable, net	$ 1,612,813	$ 936,524

Note 3 – Student Loans

Student loans consist of short-term loans to students and loans made under the FPLP. The balances were comprised of the following at May 31:

	2019	2018
Short-term loans	$ 167,582	$ 210,180
Federal Perkins loans	454,440	558,485
	622,022	768,665
Allowance for loan losses	(196,166)	(175,346)
Student loans receivable, net	$ 425,856	$ 593,319

U.S. government loan funds refundable under the FPLP are distributable to the federal government upon liquidation of the loan program and thus are reflected as a liability, refundable advances on federal government loans, in the accompanying statements of financial position.

Note 4 – Investments

Ouachita measures certain assets on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset. FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures,* provides the framework for measuring and disclosing fair value under GAAP. The framework provides a fair value hierarchy based upon observable and unobservable inputs prioritized by the reliability of the assumptions used to measure fair value. The highest priority is given to unadjusted quoted prices in active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; other inputs that are observable for the asset or liability, or inputs derived principally from or corroborated by observable market data by correlation or other means.

Leve 3 Inputs to the valuation methodology are unobservable and significant to determining the fair value measurement and reflect the entity's own assumptions about the assumptions that market participants would use in pricing assets or liabilities.

Ouachita's assets measured at fair value by fair value hierarchy are as follows as of May 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks:				
U.S. equity	$ 43,047,874	$ -	$ -	$ 43,047,874
International equity	3,629,852	-	-	3,629,852
Mutual funds	10,467,383	-	-	10,467,383
Debt securities:				
U.S. government obligations	-	3,203,228	-	3,203,228
Corporate bonds	-	1,679,539	-	1,679,539
Mineral interests	-	-	1,728,618	1,728,618
Alternative investments	-	-	2,557,065	2,557,065
Investments at fair value	57,145,109	4,882,767	4,285,683	66,313,559
Interests in perpetual trusts	-	-	20,936,977	20,936,977
Interests in charitable trusts	-	-	6,614,793	6,614,793
Interests in trust	-	-	27,551,770	27,551,770
Total investments and interests at fair value	$ 57,145,109	$ 4,882,767	$ 31,837,453	$ 93,865,329

Ouachita's assets measured at fair value by fair value hierarchy are as follows as of May 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks:				
U.S. equity	$ 42,527,093	$ -	$ -	$ 42,527,093
International equity	3,402,495	-	-	3,402,495
Mutual funds	7,138,099	-	-	7,138,099
Debt securities:				
U.S. government obligations	-	2,859,320	-	2,859,320
Corporate bonds	-	1,785,099	-	1,785,099
U.S. real estate investment trust funds	1,066,919	-	-	1,066,919
Mineral interests	-	-	1,565,869	1,565,869
Alternative investments	-	-	511,222	511,222
Investments at fair value	54,134,606	4,644,419	2,077,091	60,856,116
Interests in perpetual trusts	-	-	20,491,469	20,491,469
Interests in charitable trusts	-	-	6,432,361	6,432,361
Interests in trusts	-	-	26,923,830	26,923,830
Total investments and interests at fair value	$ 54,134,606	$ 4,644,419	$ 29,000,921	$ 87,779,946

The following schedule summarizes the return on investments and its classification in the accompanying statements of activities for the years ended May 31:

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Dividends and interest, net of expenses	$ 328,000	$ 1,611,986	$ 1,939,986
Royalties from mineral interests	763,431	-	763,431
Income from perpetual trusts	272,291	873,285	1,145,576
Net realized and unrealized gains	173,767	1,109,120	1,282,887
Return on investments	$ 1,537,489	$ 3,594,391	$ 5,131,880
2018			
Dividends and interest, net of expenses	$ 213,546	$ 1,276,941	$ 1,490,487
Royalties from mineral interests	259,291	-	259,291
Income from perpetual trusts	165,742	597,399	763,141
Net realized and unrealized gains	758,585	7,066,372	7,824,957
Return on investments	$ 1,397,164	$ 8,940,712	$ 10,337,876

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, Ouachita recognizes transfers at the end of the reporting period. There were no transfers between input levels during the year ended May 31, 2019. Ouachita does not hold any material financial or nonfinancial assets or liabilities that are measured at fair value on a nonrecurring basis.

Investments included in Level 3 primarily consist of Ouachita's ownership in mineral interests and alternative assets (principally partnership interests in hedge and other similar funds). The value of alternative assets generally represents the ownership interest in the net asset value of the respective partnership. Redemption frequency is generally restricted to monthly or quarterly and with notice periods ranging from 5 to 65 days prior to the desired redemption date. Some funds place additional restrictions on the timing of redemptions during the period of fund liquidations initiated by the investment manager. There were no unfunded purchase commitments at May 31, 2019 or 2018.

Following is a reconciliation of activity during 2019 and 2018 for investments included in Level 3:

	Mineral Interests	Alternative Investments	Total
Balance, June 1, 2017	$ 1,219,575	$ 819,845	$ 2,039,420
Purchases	-	1,618	1,618
Dispositions	-	(277,607)	(277,607)
Return on investments	346,294	(32,634)	313,660
Balance, May 31, 2018	1,565,869	511,222	2,077,091
Purchases	-	1,776,613	1,776,613
Dispositions	-	(140,355)	(140,355)
Return on investments	162,749	409,585	572,334
Balance, May 31, 2019	$ 1,728,618	$ 2,557,065	$ 4,285,683

Fair values for interests in perpetual trusts are determined based on either the fair value of the assets held in trust or by calculating the present values of estimated future distributions expected to be received over the expected terms of the agreements using a discount rate of 5% at May 31, 2019 and 2018. The change in value of perpetual trusts is included in the change in value of split interest agreements in the statement of activities.

The table below presents information about the changes in interests in perpetual trusts within the Level 3 classification for the years ended May 31:

	2019	2018
Balance, beginning of year	$ 20,491,469	$ 19,532,970
Contributions	654,422	455,136
Distributions	(1,734)	-
Transfers from charitable trust	120,373	-
Change in value	(327,553)	503,363
Balance, end of year	$ 20,936,977	$ 20,491,469

Fair values for interests in charitable trusts are determined by calculating the present value of estimated future distributions expected to be received using a discount rate of 5% at May 31, 2019 and 2018. The change in value of charitable trusts is reported as change in value of split interest agreements in the statements of activities. The table below represents information about the changes in interests in charitable trusts within the Level 3 classification for the years ended May 31:

	2019	2018
Balance, beginning of year	$ 6,432,361	$ 2,678,157
Contributions	80,041	4,136,855
Distributions	(9,704)	(561,084)
Transfers to perpetual trust	(120,373)	-
Change in value	232,468	178,433
Balance, end of year	$ 6,614,793	$ 6,432,361

Note 5 – Property, Plant, and Equipment

The following is a summary of property, plant, and equipment at May 31:

	2019	2018
Land and land improvements	$ 9,424,875	$ 9,424,875
Stadium and tennis courts	6,247,601	6,227,801
Buildings	118,657,808	113,488,125
Equipment	10,720,747	9,997,716
Vehicles	1,041,105	949,218
Library books	5,021,588	5,011,908
Construction in progress	-	1,826,050
	151,113,724	146,925,693
Less accumulated depreciation	(62,668,030)	(58,567,840)
Property, plant and equipment, net	$ 88,445,694	$ 88,357,853

Depreciation expense totaled approximately $4,137,000 and $3,932,000 for the years ended May 31, 2019 and 2018, respectively.

Note 6 – Notes Payable

Ouachita has entered into various loan agreements, funded by the issuance of tax-exempt bonds, with the City of Arkadelphia Public Facilities Board primarily for the purpose of financing campus construction and improvement projects. These loan agreements are secured by a lien on all tuition and fee revenue and require Ouachita to fund and maintain debt reserve accounts in amounts sufficient to pay the principal and interest on the bonds as they are due.

Following is a summary of notes payable at May 31:

	2019	2018
Loan agreements:		
2016 loan agreement; varying interest rates ranging from 2.13% to 4.00%; optional redemption on or after March 1, 2024, with a final maturity on March 1, 2038.	$ 39,255,000	$ 39,950,000
2015 loan agreement; varying interest rates ranging from 2.05% to 4.25%; optional redemption on or after March 1, 2025, with a final maturity on March 1, 2038.	7,050,000	7,320,000
2014 loan agreement; varying interest rates ranging from 2.00% to 4.25%; optional redemption on or after March 1, 2025, with a final maturity on March 1, 2038.	5,835,000	6,050,000
2013 loan agreement; varying interest rates ranging from 2.00% to 3.50%; optional redemption on or after September 1, 2018, with a final maturity on September 1, 2029.	5,635,000	6,075,000
2012 loan agreement; interest rates of 1.85%; optional redemption on or after March 1, 2018, with a final maturity on March 1, 2019.	-	525,000
Note payable at a fixed rate of 5.50%; principal and interest of $4,944 due monthly with a balloon payment due March 2028; secured by real estate.	412,537	443,561
Note payable at a fixed rate of 2.89%; principal and interest of $1,344 due monthly through October 2020; secured by a vehicle.	23,625	38,826
	58,211,162	60,402,387
Less: debt issuance costs	(1,032,679)	(1,099,312)
Total notes payable	$ 57,178,483	$ 59,303,075

Scheduled principal payments are as follows for years subsequent to May 31, 2019:

2020	$ 2,251,203
2021	2,274,698
2022	2,341,938
2023	2,399,303
2024	2,456,802
Thereafter	46,487,218
	$ 58,211,162

The combined annual debt service requirements under these agreements total approximately $4,254,000 in the year ending May 31, 2019. At May 31, 2019 and 2018, cash equivalents of approximately $6,051,000 and $6,392,000, respectively, were reserved for debt service and bond account.

These loan agreements also contain certain compliance requirements and covenants including maintenance of specified levels of tuition and fee revenues, maintenance of debt service reserve balances, and limitations on real property that can be used to secure other debt. Management believes Ouachita was in compliance with all such requirements as of May 31, 2019 and 2018.

Interest expense was approximately $2,871,000 and $2,174,000 for the years ended May 31, 2019 and 2018, respectively, exclusive of bond discount accretion and debt issuance costs related to the 2008, 2012, 2013, 2014, 2015, and 2016 loan agreements.

Fees and other expenses associated with the borrowings under 2012, 2013, 2014, 2015, and 2016 Arkadelphia Public Facilities Board loans are being amortized using the straight-line method over the terms of the loans. As of May 31, 2019 and 2018, the gross amount of unamortized debt issuance costs was approximately $1,033,000 and $1,134,000, respectively. As of May 31, 2019 and 2018, accumulated amortization of those costs was $285,000 and $187,000, respectively. Total amortization recognized during 2019 and 2018, was approximately $67,000 and $72,000, respectively.

Note 7 – Internal Borrowings from Endowment Funds

In December 2012, the Board of Trustees approved an internal borrowing from Ouachita's endowment funds not to exceed $1,500,000 to facilitate the completion of several campus construction projects. The loan carries an interest rate of 5% which was based on similar instruments at the time of authorization. Monthly payments are required based on a 15-year amortization schedule and are funded with payments received from donors on contributions receivable specified for these construction projects. At May 31, 2019 and 2018, the principal amount outstanding was approximately $627,000 and $661,000, respectively.

In November 2015, the Board of Trustees approved an internal borrowing from endowment funds not to exceed $18,600,000 to repay a bank term note payable and credit line. The loan carries an interest rate of 3.5% which was based on projected market returns for instruments similar to debt instruments included in the fixed income portfolio of endowment funds. Monthly payments of $83,537 are required from unrestricted funds based on a 30-year amortization schedule with the remaining balance due at maturity in December 2030. At May 31, 2019 and 2018, the principal amount outstanding was $17,349,000 and $17,737,000, respectively.

Scheduled principal payments on the above loans are as follows for years subsequent to May 31, 2019:

2020	$ 473,300
2021	492,923
2022	511,658
2023	531,120
2024	549,863
Thereafter	15,416,770
	$ 17,975,634

In November 2015, the Board of Trustees approved a credit line from the endowment of up to $5,000,000 to repay and replace a bank credit line. Interest on this credit line is based on the prime rate of interest, as reported by The Wall Street Journal, plus 25 basis points and is reset annually. No amount was outstanding under this credit line at May 31, 2019 or 2018.

Note 8 – Net Assets

The composition of endowment net assets is as follows as of May 31:

	2019	2018
Donor-restricted endowment funds	$ 117,678,303	$ 115,721,915
Board-designated quasi-endowment funds, without donor restrictions	3,110,859	2,984,055
	$ 120,789,162	$ 118,705,970

Total endowment net assets include the balances of internal notes receivable totaling approximately $17,976,000 and $18,398,000, at May 31, 2019 and 2018, respectively (Note 7).

Changes in endowment net assets are as follows during the years ended May 31:

	Without Donor Restriction	With Donor Restriction	Total
Net assets, May 31, 2017	$ 3,007,767	$ 105,173,242	$ 108,181,009
Contributions	-	5,117,277	5,117,277
Investment return:			
Investment income	384,448	2,064,061	2,448,509
Net realized and unrealized gains	746,331	6,943,032	7,689,363
Total investment return	1,130,779	9,007,093	10,137,872
Gains restoring prior losses on temporarily restricted endowment assets	8,948	(8,948)	-
Change in value of split-interest agreements	-	638,017	638,017
Endowment income distributed for operations	(1,163,439)	(4,204,766)	(5,368,205)
Net assets, May 31, 2018	2,984,055	115,721,915	118,705,970
Contributions	-	2,137,728	2,137,728
Investment return:			
Investment income	157,340	1,607,092	1,764,432
Net realized and unrealized gains	195,391	3,283,548	3,478,939
Total investment return	352,731	4,890,640	5,243,371
Change in value of split-interest agreements	-	(95,085)	(95,085)
Endowment income distributed for operations	(225,927)	(4,976,895)	(5,202,822)
Net assets, May 31, 2019	$ 3,110,859	$ 117,678,303	$ 120,789,162

Note 9 – Employee Benefit Plans

Ouachita offers a contributory employee benefit plan administered by TIAA-CREF and GuideStone Financial Resources of the Southern Baptist Convention to substantially all full-time employees. Ouachita contributes 4% of all participants' compensation to the plan and contributes an additional amount of up to 3% of a participant's salary for participants who are employed at least half-time. Total retirement plan expense for the years ended May 31, 2019 and 2018, was approximately $926,000 and $883,000, respectively.

Effective April 1, 2003, Ouachita adopted two nonqualified Deferred Compensation Plans under IRC Sections 457(b) and 457(f). The plans, which are administered by GuideStone Financial Resources of the Southern Baptist Convention, were adopted to encourage retirement savings by employees. Total expense under these plans for the years ended May 31, 2019 and 2018, was approximately $10,000 and $11,000, respectively.

Note 10 – Commitments and Contingencies

Ouachita conducts certain programs pursuant to federal grants and contracts which are subject to often complex and ambiguous administrative requirements contained in grant or contract agreements, applicable federal laws and regulations, agency program announcements, and stipulations contained in the application submitted for the award. Compliance with these requirements, which is the responsibility of the management of Ouachita, may be determined through operational, procedural or performance audits by the grantor agencies or the inspectors general for these agencies. Such audits could lead to requests for reimbursement by the grantor agencies. Other grantors may also place certain terms and restrictions on the use of grant funds. Management is not aware of any events of material noncompliance with grant or loan terms, requirements and restrictions.

Ouachita maintains a self-insurance program for the portion of health care costs not covered by insurance. Reinsurance coverage has been obtained to cover medical benefit claims in excess of $90,000 per individual or 100% of aggregate expected claims annually. The cost of providing medical benefits is funded by contributions from Ouachita and participating employees. Required contributions are determined by Ouachita based on expected claims and administrative costs. Participating employees contribute approximately one-third of the total required contributions. Ouachita made contributions to the trust totaling approximately $1,802,000 and $1,954,000 during the years ended May 31, 2019 and 2018, respectively.

Ouachita is subject to certain claims and lawsuits arising in the normal course of business. In the opinion of management, there are no known outstanding claims for which resolution will materially impact the financial position or results of Ouachita.

Note 11 – Related Party Transactions

Included in private gifts, grants and contributions in the statement of activities are contributions received from the Arkansas Baptist State Convention, an affiliate, of approximately $2,968,000 and $2,998,000, respectively, for the years ended May 31, 2019 and 2018.

Note 12 – Functional Classification of Expenses

Expenses by functional classification for the year ended May 31, 2019, consist of the following:

	Instructional	Academic Support	Student Services	Public Service	Research	Institutional Support	Auxiliary Enterprises	Fundraising	Total
Salaries and wages	$ 8,266,621	$ 729,507	$ 3,445,235	$ 611,701	$ 123,769	$ 2,026,012	$ 880,988	$ 436,645	$ 16,520,478
Employee benefits	2,496,957	74,680	932,176	154,531	11,589	769,717	239,463	131,615	4,810,728
Plant operations	785,237	121,366	597,885	14,187	3,653	220,980	1,319,907	10,412	3,073,627
Depreciation expense	1,120,870	184,518	682,220	22,120	5,700	351,696	1,745,629	16,246	4,128,999
Interest expense	785,124	127,929	472,990	15,336	3,952	243,835	1,210,264	11,264	2,870,694
Contracted services	67,622	213	199,891	268,406	-	407,805	3,418,638	148,770	4,511,345
Travel and meals	291,878	4,336	903,542	173,464	16,693	449,969	997	35,970	1,876,849
Supplies and other	1,078,990	358,927	2,134,373	308,757	135,204	1,038,671	310,465	168,621	5,534,008
Total	$ 14,893,299	$ 1,601,476	$ 9,368,312	$ 1,568,502	$ 300,560	$ 5,508,685	$ 9,126,351	$ 959,543	$ 43,326,728

Expenses by functional classification for the year ended May 31, 2018, consist of the following:

	Instructional	Academic Support	Student Services	Public Service	Research	Institutional Support	Auxiliary Enterprises	Fundraising	Total
Salaries and wages	$ 7,977,998	$ 700,614	$ 3,232,257	$ 645,608	$ 116,127	$ 1,903,054	$ 805,904	$ 406,181	$ 15,787,743
Employee benefits	2,613,056	218,103	1,000,911	162,729	12,309	643,388	246,007	137,122	5,033,625
Plant operations	882,412	133,460	517,851	15,701	4,466	247,820	1,394,665	10,918	3,207,293
Depreciation expense	1,075,335	175,216	647,825	21,005	5,413	333,965	1,657,621	15,427	3,931,807
Interest expense	802,847	130,816	483,667	15,683	4,041	249,339	1,237,584	11,518	2,935,495
Contracted services	143,630	14,222	184,747	224,035	-	393,765	3,381,616	77,733	4,419,748
Travel and meals	252,630	3,481	863,701	111,932	10,342	392,506	923	33,218	1,668,733
Supplies and other	698,346	287,843	1,778,732	296,798	52,200	824,475	167,109	185,629	4,291,132
Total	$ 14,446,254	$ 1,663,755	$ 8,709,691	$ 1,493,491	$ 204,898	$ 4,988,312	$ 8,891,429	$ 877,746	$ 41,275,576

Note 13 – Liquidity and Availability of Resources

As of May 31, 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments of debt, and capital construction costs not financed with debt, were as follows:

Financial assets:	
Cash and cash equivalents	$ 9,342,269
Cash and cash equivalents, debt service reserve and bond account	6,050,752
Notes and accounts receivable, net	1,068,951
Pledge payments available for operations	555,704
Total financial assets available within one year	17,017,676
Liquidity resources:	
Endowment line of credit	5,000,000
Total financial assets and liquidity resources available within one year	$ 22,017,676

Ouachita's cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end. As part of Ouachita's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. While Ouachita does not intend to appropriate quasi-endowment funds, they are available in times of need with a vote of the trustees. To manage liquidity, Ouachita maintains a line of credit within the endowment pool that is drawn upon as needed during the year to manage cash flows. No amount was outstanding under this line of credit as of May 31, 2019. See Note 7.

SUPPLEMENTAL INFORMATION

OUACHITA BAPTIST UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended May 31, 2019

Federal Grantor/Cluster or Program	CFDA Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	$ -	$ 80,227
Federal Direct Student Loans	84.268	-	7,167,438
Federal Work Study Program	84.033	-	338,488
Federal Perkins Loan Program:			
Federal Perkins Loans as of June 1, 2018	84.038	-	454,440
New loans issued during 2019	84.038	-	-
Administrative cost allowance	84.038	-	-
Federal Pell Grant Program	84.063	-	2,179,177
Teacher Education Assistance for College and Higher Education (TEACH) Grants	84.379	-	67,248
Total Student Financial Assistance Cluster		-	10,287,018
TRIO Cluster:			
Talent Search Program	84.044	-	441,103
Upward Bound Program	84.047	-	474,963
Total TRIO Cluster		-	916,066
Total U.S. Department of Education		-	11,203,084
The Corporation for National and Community Service:			
Foster Grandparent Program	94.011	-	299,123
Department of Health and Human Services:			
National Institutes of Health:			
Passed-through program from:			
University of Arkansas for Medical Sciences:			
Institutional Development Award Program Partnerships for Biomedical Research in Arkansas	93.859	-	99,396
National Science Foundation:			
Passed-through program from:			
Arkansas Economic Development Commission:			
Arkansas Advancing and Supporting Science, Engineering and Technology (ASSET project)	47.079	-	142,121
National Aeronautics and Space Administration:			
Passed-through programs from:			
University of Arkansas at Little Rock:			
National Space Grant College and Fellowship Program (SPACE Grant) Training Grant	43.008	-	6,381
Total Expenditures of Federal Awards		$ -	$ 11,750,105

OUACHITA BAPTIST UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended May 31, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Ouachita under programs of the federal government for the year ended May 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Ouachita.

Note 2 – Summary of Significant Accounting Polices

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Ouachita has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Federal Perkins Loan Program

The Federal Perkins Loan program (FPLP) is administered directly by Ouachita and balances and transactions relating to this program are included in Ouachita's financial statements. There were no disbursements for loans to students and no administrative cost allowances during the year ended May 31, 2019. The loan balance outstanding at May 31, 2019, was $289,756, net of an allowance for doubtful accounts. During the year ended May 31, 2019, the University did not receive federal capital contributions of the FPLP. Accordingly, the University did not transfer contributions for its share of the current year matching grant.

Note 4 – Subrecipients

The University provided no federal awards to subrecipients.

OTHER REPORTS

HoganTaylor LLP
CPAs + ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ouachita Baptist University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ouachita Baptist University (Ouachita), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ouachita's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ouachita's internal control. Accordingly, we do not express an opinion on the effectiveness of Ouachita's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ouachita's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ouachita's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hogan Taylor LLP

Little Rock, Arkansas
September 5, 2019

HoganTaylor LLP
CPAs + ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ouachita Baptist University

Report on Compliance for Each Major Federal Program

We have audited Ouachita Baptist University's (Ouachita) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ouachita's major federal programs for the year ended May 31, 2019. Ouachita's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ouachita's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ouachita's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ouachita's compliance.

Opinion on Each Major Federal Program

In our opinion, Ouachita complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2019.

Report on Internal Control Over Compliance

Management of Ouachita is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ouachita's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ouachita's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hogan Taylor LLP

Little Rock, Arkansas
September 5, 2019

OUACHITA BAPTIST UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended May 31, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.268	Federal Direct Student Loans
84.033	Federal Work Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grants

Dollar threshold used to distinguish between type A and type B programs $750,000

Auditee qualified as low-risk auditee?	X Yes	____ No

OUACHITA BAPTIST UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended May 31, 2019

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

None

OUACHITA BAPTIST UNIVERSITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended May 31, 2019

There were no findings or questioned costs for the year ended May 31, 2018, that require reporting of resolution or status in the year ended May 31, 2019.