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PRELIMINARY OFFICIAL STATEMENT DATED MAY 14, 2026

**New Issue
Book Entry Only**

**Insured Rating: S&P “AA”
See “RATINGS” herein**

In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, under existing law and assuming compliance with certain covenants described herein, interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes. Bond Counsel is of the further opinion that, under existing law, interest on the Series 2026 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is includable in the adjusted current earnings in determining the federal alternative minimum tax imposed on certain corporations. Bond Counsel is of the opinion that the Series 2026 Bonds and the interest thereon are exempt from all Arkansas state, county, and municipal taxes. See the caption “Tax Exemption” herein.



**\$20,845,000¹
Board of Trustees of Southern Arkansas University
Auxiliary Enterprises Secured
Capital Improvement Bonds
Series 2026**

Dated: Date of Delivery

Due: December 1, as shown inside front cover

FOR MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS, SEE INSIDE COVER.

The Series 2026 Bonds are obligations of the Board of Trustees of Southern Arkansas University (the “SAU Board”), secured by and payable from certain fees and revenues identified for each series and derived from operations, projects and activities at the SAU Board’s main campus, Southern Arkansas University, located in the City of Magnolia, Arkansas. **The Series 2026 Bonds (the “Series 2026 Bonds”) are not secured by the faith and credit of the State of Arkansas or by a pledge of any of its revenues or by a mortgage lien on any of the lands or buildings of the State of Arkansas or the SAU Board. The SAU Board has no taxing power.** See the caption “Security for the Bonds” herein.

The Series 2026 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Individual purchasers of Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates. See Appendix D—Book-entry Only System.

The scheduled payment of principal of and interest on the Series 2026 Bonds, when due, will be guaranteed under a municipal bond insurance policy (the “Policy”) to be issued concurrently with the delivery of the Series 2026 Bonds by ASSURED GUARANTY INC. (“AG”).



Interest on the Series 2026 Bonds will be payable each June 1 and December 1, commencing December 1, 2026. All such interest payments shall be payable to the person in whose name such Bond is registered on the bond registration book maintained by Community First Trust Company, Hot Springs, Arkansas, as trustee (the “Trustee”). Disbursement of such payments to DTC Participants is the responsibility of DTC, and distribution of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein.

This cover page contains certain information for quick reference only. It is not a summary of the terms of or the security for the Series 2026 Bonds. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. It is expected that the Series 2026 Bonds will be delivered through the facilities of DTC on or about May 28, 2026.

Stephens Inc.

Dated _____, 2026

¹ Preliminary, subject to change.

Pricing and Payment Term

\$20,845,000¹

**Board of Trustees of Southern Arkansas University
Auxiliary Enterprises Secured Capital Improvement Bonds
Series 2026**

Serial Bonds¹

Year December 1	Principal Amount	Interest Rate	Yield	CUSIP²
2027	125,000.00			
2028	135,000.00			
2029	140,000.00			
2030	145,000.00			
2031	155,000.00			
2032	165,000.00			
2033	170,000.00			
2034	405,000.00			
2035	430,000.00			
2036	450,000.00			

Term Bonds

\$3,175,000, ____% Term Bonds, maturing December 1, 2041, Yield ____%, CUSIP_____
\$4,390,000, ____% Term Bonds, maturing December 1, 2046, Yield ____%, CUSIP_____
\$4,305,000, ____% Term Bonds, maturing December 1, 2050, Yield ____%, CUSIP_____
\$6,655,000, ____% Term Bonds, maturing December 1, 2055, Yield ____%, CUSIP_____

¹Priced to first optional redemption date of December 1, 2033.

¹ Preliminary, subject to change.

² CUSIP data herein is provided by CUSIP Global Services ("CGS"). CGS is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Neither the SAU Board nor the Underwriter (as defined herein) or their agents is responsible for the selection, use or accuracy of the CUSIP numbers, nor is any representation made as to their correctness with respect to the Series 2026 Bonds as included herein or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2026 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2026 Bonds.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

THE SERIES 2026 BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE SERIES 2026 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE SERIES 2026 BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE SERIES 2026 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the SAU Board nor the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system described in “APPENDIX D—Book-Entry Only System” as such information has been provided by DTC.

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

The agreements of the SAU Board and others related to the Series 2026 Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Series 2026 Bonds is to be construed as constituting an agreement with the purchaser of the Series 2026 Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

Assured Guaranty Inc. (“AG”) makes no representation regarding the Series 2026 Bonds or the advisability of investing in the Series 2026 Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “**BOND INSURANCE**” and “Appendix G - Specimen Municipal Bond Insurance Policy”.

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

Southern Arkansas University
100 East University
Magnolia, Arkansas 71753

Board of Trustees

Jason Sullivan, Chair
Gary Sewell, Secretary

Monty Harrington, Vice Chair
Iverson Jackson
Joe Pieratt

Administration

Dr. Bruno Hicks, System President
Roger W. Giles, Vice President for Administration and General Counsel
Dr. Donna Y. Allen, Vice President for Student Affairs
Shawana Reed, Vice President for Finance

Trustee and Bond Registrar

Community First Trust Company

Bond Counsel

Rose Law Firm, a Professional Association

Underwriter

Stephens Inc.

OFFICIAL STATEMENT

BOARD OF TRUSTEES OF SOUTHERN ARKANSAS UNIVERSITY

\$20,845,000¹

**Board of Trustees of Southern Arkansas University
Auxiliary Enterprises Secured Capital Improvement Bonds
Series 2026**

INTRODUCTORY STATEMENT

This Official Statement is furnished in connection with the issuance of the Board of Trustees of Southern Arkansas University, Auxiliary Enterprises Secured Bonds, Series 2026 (the “Series 2026 Bonds”). The following Introductory Statement is subject in all respects to the more complete information set forth in this Official Statement. All descriptions and summaries of documents hereinafter set forth are qualified in their entirety by reference to each document. Except as otherwise defined, capitalized terms used in this Official Statement have the meanings ascribed to them in Appendix A-Definitions of Certain Terms. The Series 2026 Bonds are issued pursuant to the Supplemental Indenture (as defined in Appendix A and further described under the caption “Terms of the Offering –Authority”). “Auxiliary Enterprises Revenues” (as defined in Appendix A) are pledged to the Series 2026 Bonds. Auxiliary Enterprises Revenues are sometimes referred to herein as “Revenues.”

SAU Board

The SAU Board is the Board of Trustees of Southern Arkansas University (the “SAU Board”), a body politic and corporate and a public instrumentality organized and existing under the laws of the State of Arkansas including particularly, Act No. 62 of the Acts of the General Assembly of the State of Arkansas of 1947, as amended, codified as Ark. Code Ann. §§ 6-62-301 *et seq.* (the “Act”). The SAU Board governs two campuses located in Magnolia, Arkansas (“SAU” or the “University”) and East Camden, Arkansas (the “SAU Tech”). Each campus operates and reports its finances independently.

Security and Source of Payment

General

The Series 2026 Bonds are referred to in this Official Statement as the “Series 2026 Bonds.” No revenues of SAU Tech are pledged to the Series 2026 Bonds. Under the Act, the Series 2026 Bonds are referred to as general obligations of the SAU Board only and will not constitute an indebtedness for which the faith and credit of the State of Arkansas (the “State”) or any of its revenues are pledged. **See CERTAIN RISK FACTORS-Limited Source of Payment and Limitation on Remedies Upon Default herein.** Debt service on the Series 2026 Bonds will not be payable out of any money provided or appropriated to the SAU Board by the State. The Series 2026 Bonds are not secured by a mortgage lien on any of the lands or buildings of the State or the SAU Board.

¹ Preliminary, subject to change.

Auxiliary Enterprises Secured Bonds. The Series 2026 Bonds are secured by a pledge of Auxiliary Enterprises Revenues at its main campus of the University in the City of Magnolia, Arkansas and are being issued as “Additional Bonds” (as defined in Appendix A and described the caption “The Series 2026 Bonds—Additional Bonds” herein). The SAU Board has previously issued various series of Auxiliary Enterprises Revenues Secured Bonds under the Indenture (which together with the Series 2026 Bonds are collectively referred to as the “Bonds”). The outstanding Auxiliary Enterprises Revenues Secured Bonds in addition to the Series 2026 Bonds consist of the following:

- (a) \$9,135,000 original principal amount Auxiliary Enterprises Secured Refunding Bonds, Series 2016 (the “Series 2016 Bonds”)
- (b) \$8,000,000 original principal amount Auxiliary Enterprises Revenue Secured Capital Improvement and Refunding Bonds, Series 2017(the “Series 2017 Bonds”);
- (c) \$7,675,000 original principal amount Auxiliary Enterprises Revenue Secured Capital Improvement and Refunding Bonds, Series 2018-B (the “Series 2018-B Bonds”); and
- (d) \$7,010,000 original principal amount Auxiliary Enterprises Secured Refunding Bonds, Series 2019-B (the “Series 2019-B Bonds”).

Outstanding balances of the Auxiliary Enterprises Revenue Secured Bonds as of May 28, 2026 are set forth under the caption “Security for the Series 2026 Bonds” herein.

Additional Bonds

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

See the caption “The Series 2026 Bonds—Additional Bonds” herein.

Purpose

The proceeds of the Series 2026 Bonds will be used in part to acquire three residence halls currently owned by the Southern Arkansas University Alumni Association, Inc. (the “Alumni Association”). The three residence halls, Magnolia, Columbia and Arkansas Halls, are located on the University campus (collectively, the “Alumni Association Housing Projects”). The Alumni Association financed the construction and equipping of the Alumni Association Housing Projects with three series of University Housing Revenue Bonds (the “Alumni Association Housing Bonds” as defined in Appendix A) issued by the Housing Facilities Board of the City of Magnolia, Arkansas (the “Facilities Board”). Pursuant to Ground Leases, between the University and the Alumni Association, the Alumni Association Housing Projects will be conveyed to the University when the Alumni Association Housing Bonds are redeemed. Proceeds of the Series 2026 Bonds together with funds held by the trustee for the Alumni Association Housing Bonds in the amount of \$21,212,052.32 will be used to redeem the Alumni Association Housing Bonds in full. In addition, proceeds of the Series 2026 Bonds will be used to pay the costs of issuance of the Series 2026 Bonds and to purchase a municipal bond insurance policy and a reserve fund insurance policy for the Series 2026 Bonds. As described above and defined in Appendix A, the uses of proceeds of the Series 2026 Bonds are collectively referred to as the “Series 2026 Project”.

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

Features of the Series 2026 Bonds

Optional Redemption. The Series 2026 Bonds maturing on or after December 1, 2034 are subject to redemption by the SAU Board on or after December 1, 2033 in whole or in part at any time from any

moneys that may be available for such purpose, upon payment of 100 percent of principal amount of Bonds to be redeemed plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Trustee shall redeem the Series 2026 Bonds maturing on December 1, in the years and in the principal amounts and at a price of 100 percent of the principal amount of the Series 2026 Bonds to be redeemed plus interest accrued to the redemption date, as follows:

SERIES 2026 SINKING FUND REDEMPTIONS¹

Bonds Maturing December 1, 2041		Bonds Maturing December 1, 2046	
Year	Amount	Year	Amount
2037	\$470,000	2042	\$800,000
2038	490,000	2043	835,000
2039	710,000	2044	875,000
2040	735,000	2045	920,000
2041*	770,000	2046*	960,000

Bonds Maturing December 1, 2050		Bonds Maturing December 1, 2055	
Year	Amount	Year	Amount
2047	\$1,005,000	2051	\$1,210,000
2048	1,050,000	2052	1,265,000
2049	1,100,000	2053	1,330,000
2050*	1,150,000	2054	1,390,000
		2055*	1,460,000

* Final Maturity.

In the event that less than all of the Series 2026 Bonds are redeemed by operation of the foregoing, the Series 2026 Bonds to be redeemed within each series shall be selected by the Trustee pro rata among the then outstanding maturities (and by lot or in such manner as the Trustee shall deem fair and appropriate within each maturity) thereof according to the relationship borne by the outstanding principal amount of each such maturity to the total amount to be applied to redemption of the Series 2026 Bonds. In the event of partial redemption of the Series 2026 Bonds that are subject to mandatory sinking fund redemption pursuant to the Indenture, the principal amount of each sinking fund installment shall similarly be reduced pro rata.

Denominations. The Series 2026 Bonds shall be issued in Authorized Denominations.

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

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

Notices to Bondholders. See the caption “The Series 2026 Bonds—Notice of Redemption” herein and Appendix D—Book-entry Only System.

Tax Status

In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is of the opinion that the Series 2026 Bonds and the interest

¹ Preliminary, subject to change.

thereon are exempt from all Arkansas state, county, and municipal taxes. See the caption “Tax Exemption” herein.

Professionals

Community First Trust Company, Hot Springs, Arkansas, is Trustee, bond registrar, and paying agent for the Series 2026 Bonds (the “Trustee”).

Rose Law Firm, a Professional Association, Little Rock, Arkansas, serves as Bond Counsel for the SAU Board in connection with the Series 2026 Bonds.

Stephens Inc., Little Rock, Arkansas, is underwriter of the Series 2026 Bonds.

Terms of the Offering

Authority. The Series 2026 Bonds are being issued pursuant to the laws of the State, including particularly: the Act; Resolutions duly adopted by the SAU Board on October 8, 2025, March 5, 2026; a Supplemental Trust Indenture dated as of the date of delivery of the Series 2026 Bonds, supplementing and original Trust Indenture dated as of January 1, 1999, as supplemented, relating to the Series 2026 Bonds (collectively the “Indenture”), by and between the SAU Board and the Trustee.

Conditions. The Series 2026 Bonds are offered when, as, and if issued by the SAU Board, subject to the final approving opinion of Bond Counsel.

Delivery. It is expected that the Series 2026 Bonds in definitive form will be available for delivery through the facilities of DTC on or about May 28, 2026.

Book Entry. The Series 2026 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Series 2026 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2026 Bonds. Individual purchases of the Series 2026 Bonds will be made only in book-entry form, in Authorized Denominations. Individual purchasers of Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates. See Appendix D—Book-entry Only System.

Continuing Disclosure

During the past five years, the SAU Board has been subject to continuing disclosure agreements relating to six bond issues for the Magnolia campus and one bond issue for the SAU Tech campus. These agreements require the SAU Board to file annual reports with the applicable trustees, who act as dissemination agents. The dissemination agents are responsible for submitting such annual reports to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system within the timeframes specified in each agreement. While the Board has not made any determination as to materiality, the following provides a non-exhaustive summary of the Board’s compliance with its continuing disclosure obligations during the past five years.

As part of its annual report, the Board is obligated to include audited financial statements. For seven bond issues, the continuing disclosure agreements require the filing of the University’s audited financial statements. For two bond issues, the agreements require the filing of audited financial statements of SAU Tech.

With respect to the bond issues requiring the University’s audit, audited financial statements for the fiscal year ended December 31, 2021 were timely filed for five bond issues but were not filed for two bond issues. Audited financial statements for fiscal years ended June 30, 2023, and 2024 were not filed. The

audited financial statements for the fiscal year ended June 30, 2025 are not yet available. No notices regarding these failures to file were submitted to EMMA.

For the bond issue requiring audited financial statements of SAU Tech, the audited financial statements for the fiscal years ended June 30, 2021 and 2022 were filed 51 days and 149 days late, respectively. Audited financial statements for the fiscal years ended June 30, 2023 and 2024 were not filed. The audited financial statements for the fiscal year ended June 30, 2025 are not yet available. No notices regarding these failures to file were submitted to EMMA.

In addition to audited financial statements, each continuing disclosure agreement requires the filing of certain supplemental financial and operating data as part of the annual report. The specific supplemental data required varies based on the type of bond issue and its pledged security. During the past five years, none of the required supplemental financial and operating data was filed. No notices regarding these omissions were submitted to EMMA.

The continuing disclosure agreements also require the filing of a notice upon the occurrence of any event listed in Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission. No such reportable events have occurred during the past five years. In addition, no notices of non-compliance with continuing disclosure undertakings have been filed.

In connection with the annual report for the fiscal year ending June 30, 2025, the SAU Board has filed all required historical financial and operating data and all required audited financial statements of both the University and SAU Tech. The SAU Board has engaged Stephens Inc. to assist with ongoing compliance with its continuing disclosure obligations and believes this engagement will remediate the deficiencies described above.

See Appendix C—Form of Continuing Disclosure Agreements.

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All references herein to the Indenture are qualified in their entirety by reference to such document, copies of which are available from the Underwriter during the offering period and from the SAU Board thereafter, and all references to the Series 2026 Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Indenture.

Further Information

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

THE SERIES 2026 BONDS

General

The Series 2026 Bonds are dated as of the date of delivery, are numbered from R-1 upward, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months).

Interest on the Series 2026 Bonds is payable on December 1, 2026 and thereafter semiannually on each Interest Payment Date at the rates per annum and mature on December 1, in the years and amounts set forth inside the cover of this Official Statement. All Bonds shall bear interest (a) from the date of delivery, if authenticated prior to the first Interest Payment Date, or (b) otherwise from the Interest Payment Date that is, or that immediately precedes, the date on which such Bond is authenticated (unless payment of interest is in default, in which case such Bond shall bear interest from the date to which interest has been paid).

The principal of and interest on the Series 2026 Bonds shall be payable in lawful money of the United States of America. Principal of the Series 2026 Bonds shall be payable by the Trustee upon presentation and surrender of the Series 2026 Bonds as they become due at the Principal Office of the Trustee. Interest on Bonds shall be payable by the Trustee to the Bondholders of Bonds by check or draft mailed to such Bondholders at their addresses as they appear on the bond registration books of the Trustee on the Record Date. Principal and interest will be paid to any person holding Bonds in aggregate principal amount of \$1,000,000 or more, upon the written request of any such Bondholder in form and substance satisfactory to the Trustee, by wire transfer of immediately available funds to an account within the United States of America designated by such Bondholder on or before the Record Date.

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

Optional Redemption

The Series 2026 Bonds maturing on or after December 1, 2034 are subject to redemption by the SAU Board on or after December 1, 2033 in whole or in part at any time from any moneys that may be available for such purpose, upon payment of 100 percent of principal amount of Bonds to be redeemed plus interest accrued to the redemption date.

Further Information Regarding Mandatory Sinking Fund Redemption

On or before the 30th day prior to each sinking fund redemption date, the Trustee shall proceed to call the prescribed principal amount of the Series 2026 Bonds for redemption on the next redemption date, and give notice of such call. At its option, to be exercised by delivery of an Officer's Certificate of the SAU Board to the Trustee not more than 360 days nor less than 65 days preceding the next applicable sinking fund redemption date, the SAU Board may (a) deliver to the Trustee for cancellation Bonds of the applicable maturity date subject to redemption pursuant to the terms of the mandatory sinking fund in an aggregate principal amount desired or (b) receive credit in respect of its sinking fund redemption obligation for any Bonds of the applicable maturity date subject to redemption pursuant to the terms of the mandatory sinking fund, which prior to said date have been canceled (otherwise than through the operation of the sinking fund redemption schedule) by the Trustee and not theretofore applied as a credit against such sinking fund redemption obligation. Each Bond of the applicable maturity date so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof against the obligation of the SAU Board on such sinking fund redemption date, and the principal amount of Bonds to be redeemed by operation of such sinking fund redemption schedule on such date shall be accordingly reduced; and any excess over the principal amount of Bonds to be redeemed by operation of the sinking fund redemption schedule on any sinking fund redemption date shall be credited against future sinking fund redemption payments in such manner as will ensure that each future sinking fund redemption payment shall be reduced as specified in an Officer's Certificate of the SAU Board or, in the absence of such certificate, in inverse order of scheduled sinking fund redemption by an amount proportional to the amount originally established for such future sinking fund redemption date, rounded to the nearest \$5,000 amount so that the total amount so credited equals the principal amount of Bonds so delivered, and the principal amount of Bonds required to be redeemed by operation of the sinking fund on subsequent sinking fund redemption dates shall be correspondingly reduced.

Selection of Bonds for Redemption

If less than all of the Series 2026 Bonds are called for redemption, they shall be redeemed from maturities of the applicable series in such order as determined by the SAU Board, and by lot within any maturity, subject to selection by the Trustee as provided below. The portion of any Bond to be redeemed shall be an Authorized Denomination and in selecting Bonds for redemption, each Bond shall be considered

as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination. If a portion of a Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Bondholder upon the surrender thereof. If for any reason the principal amount of Bonds called for redemption would result in a redemption of Bonds less than the Authorized Denomination, the Trustee is authorized to adjust the selection of Bonds for such purpose in order to minimize any such redemption. Notwithstanding the foregoing, the Securities Depository for Book Entry Bonds shall select the Series 2026 Bonds for redemption within particular maturities according to its stated procedures.

Notice of Redemption

When Bonds (or portions thereof) are to be redeemed, the SAU Board shall give or cause to be given notice of the redemption of the Series 2026 Bonds to the Trustee no later than 45 days prior to the redemption date or such shorter time as may be acceptable to the Trustee. In the case of an optional redemption under the Indenture (see the caption “The Series 2026 Bonds—Introductory Statement—Features of the Series 2026 Bonds—Optional Redemption” herein), the notice may state (a) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (b) that the SAU Board retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described at “Rescission of Conditional Redemption” below. The Trustee, at the expense of the SAU Board, shall send notice of any redemption, identifying the Series 2026 Bonds to be redeemed, the redemption date, and the method and place of payment and the information described at “Rescission of Conditional Redemption” below, by first class mail or by other standard means, including electronic or facsimile communication, to each holder of a Series 2026 Bond called for redemption to the holder’s address listed on the Bond Register. Such notice shall be sent by the Trustee by first class mail or by other standard means, including electronic or facsimile communication, between 30 and 60 days prior to the scheduled redemption date. If notice is given as stated in this paragraph, failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Series 2026 Bonds.

On or before the date fixed for redemption, subject to the provisions described above, moneys shall be deposited with the Trustee to pay the principal of and redemption premium, if any, and interest accrued to the redemption date on the Series 2026 Bonds called for redemption. Upon the deposit of such moneys, the Series 2026 Bonds shall cease to bear interest on the redemption date and shall no longer be entitled to the benefits of the Indenture (other than for payment and transfer and exchange) and shall no longer be considered Outstanding.

Rescission of Conditional Redemption. Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the SAU Board delivers an Officer’s Certificate to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute any Event of Default. Further, in the case of a Conditional Redemption, the failure of the SAU Board to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give immediate notice to the affected Bondholders that the redemption did not occur and that the Series 2026 Bonds called for redemption and not so paid remain Outstanding.

Additional Bonds-Series 2026 Bonds

General. The SAU Board will not issue any other bonds or obligations having a lien on the Trust Estate securing the Series 2026 Bonds except for Additional Bonds issued pursuant to the Indenture and as described at this caption. Additional Bonds may be issued and the Trustee shall authenticate and deliver

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

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

Junior Lien Debt. The SAU Board may issue junior lien debt so long as any lien on Auxiliary Enterprises Revenues is expressly subordinate to the lien securing the Series 2026 Bonds.

BOND INSURANCE

The following information has been supplied by AG for inclusion in this Official Statement. No representation is made by the SAU Board as to the accuracy or completeness of such information.

Bond Insurance Policy

Concurrently with the issuance of the Series 2026 Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Series 2026 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 2026 Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the

asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 4, 2025, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

On July 10, 2024, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At March 31, 2026:

- The policyholders' surplus of AG was approximately \$3,158 million.
- The contingency reserve of AG was approximately \$1,539 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,402 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles.

The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2026 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption “BOND INSURANCE – Assured Guaranty Inc.” or included in a document incorporated by reference herein (collectively, the “AG Information”) shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Series 2026 Bonds or the advisability of investing in the Series 2026 Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “Bond Insurance”.

SECURITY FOR THE SERIES 2026 BONDS

General

Under the Act, the Series 2026 Bonds will be special obligations only of the SAU Board and will not constitute an indebtedness for which the faith and credit of the State of Arkansas or any of its revenues are pledged and will not be secured by a mortgage or a lien on any land or building belonging to the State of Arkansas or to the SAU Board.

Auxiliary Enterprises Revenues

The Series 2026 Bonds will be special obligations only of the SAU Board and will not constitute an indebtedness for which the faith and credit of the State of Arkansas or any of its revenues are pledged and will not be secured by a mortgage or a lien on any land or building belonging to the State of Arkansas or to the SAU Board. Series 2026 Bonds are secured by a pledge of the net revenues derived from the operation of the SAU Board's housing system (the "Housing System") and other auxiliary enterprises operated by the SAU Board at its main campus, located in the City of Magnolia, Arkansas which exclude auxiliary revenues or expenses from the University's athletic activities (the "Auxiliary Enterprises Revenues") (See Appendix A- Definitions of Certain Terms). Primary sources of Auxiliary Enterprises Revenues have included the Housing System, food services, bookstore and student organizations and publications. The Series 2026 Bonds are issued on parity of security with the pledge thereof to payment of the SAU Board's other bonds and obligations set forth under the caption "**Other Auxiliary Enterprises Revenues Secured Bonds**" below.

The SAU Board will maintain charges for occupancy of the facilities of the Housing System and for its other auxiliary enterprises at a level sufficient to produce annual Auxiliary Enterprises Revenues at least equal to 125 percent of the maximum Annual Debt Service on all Auxiliary Enterprises Revenue Secured Bonds Outstanding. The SAU Board will not assign the Auxiliary Enterprises Revenues or create or authorize to be created any debt, lien, or charge thereon, other than the assignment thereof under the Auxiliary Enterprises Indenture. The SAU Board will not reduce charges for occupancy of the facilities of the Housing System and for its services unless it files with the Trustee an opinion of an Accountant to the effect that Auxiliary Enterprises Revenues for the preceding Fiscal Year, assuming such reduction had been in effect for the entire Fiscal Year, would have equaled not less than 125 percent of the maximum Annual Debt Service on all Bonds Outstanding.

The following table sets forth the calculation of Auxiliary Enterprises Revenues for Fiscal Year 2025⁽¹⁾.

Auxiliary Enterprises Revenues For Fiscal Year Ending June 30, 2025⁽¹⁾

	Housing and Food Service	Bookstore	Health Services	Student Activities	Other Auxiliary Enterprises⁽²⁾	Total
Enterprise Revenue	\$13,934,132.41	\$142,263.87	\$293,606.00	\$633,354.56	\$235,189.60	\$15,238,546.44
Student Fees	(155,600.00)	-	(286,231.00)	(551,482.00)	-	(993,313.00)
Auxiliary Revenue	13,778,532.41	142,263.87	7,375.00	81,872.56	235,189.60	14,245,233.44
Current Expenses	8,543,676.65	15,953.40	396,672.51	775,012.76	462,690.51	10,194,005.83
Auxiliary Enterprise Revenues	<u>\$5,234,855.76</u>	<u>\$126,310.47</u>	<u>\$(389,297.51)</u>	<u>\$(693,140.20)</u>	<u>\$(227,500.91)</u>	<u>\$4,051,227.61</u>

(1) Unaudited,

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

For the preceding three Fiscal Years, net revenues of the housing system and other auxiliary enterprise operations of the SAU Board at its main campus in Magnolia, Arkansas, have equaled the following:

Fiscal Year	2025¹	2024	2023
Auxiliary Enterprises Revenues	\$4,051,228	\$3,460,924	\$3,610,875

¹ Unaudited.

Housing System. Housing and food services are the primary sources of Auxiliary Enterprises Revenues. Current housing at the University consists of residence halls and apartment complexes. SAU has been operating and maintaining the Alumni Association Housing Projects (Columbia, Magnolia, and Arkansas Halls) pursuant to a Develop, Manage and Maintain Agreement, as amended, with the Alumni Association. At the time proceeds of the Series 2026 Bonds are used to redeem the Alumni Association Housing Bonds, the Alumni Association Housing Projects will be conveyed to the University. Information for all student and faculty housing projects are included below. Selected information for the residence halls and apartments (exclusive of food service charges set by the SAU Board ranging from \$1,924 to \$2,024) follows:

Residence Halls	Fall / Spring (per term)	Summer (per term)	Fall 2025 Occupancy	Size
Traditional:				
Bussey Hall	\$1,865	\$622	155	193 beds
Greene Hall	\$1,865	\$622	139	159 beds
Harrod Hall	\$1,865	\$622	104	176 beds
Honors Hall South *	\$1,865	\$622	68	86 beds
Talbot Hall	\$1,865	\$622	102	143 beds
Talley Hall	\$1,865	\$622	141	158 beds
Suite-style:				
Fincher Hall	\$2,326	\$775	73	80 beds
Honors Hall North	\$2,326	\$775	48	67 beds
Mallory Hall	\$2,326	\$775	80	104 beds
Hybrid-style:				
Columbia Hall	\$2,390	\$797	101	122 beds
Magnolia Hall	\$2,390	\$797	98	122 beds
Arkansas Hall	\$2,390	\$797	101	120 beds
Eichenberger Hall	\$2,390	\$797	43	48 beds
Burns Harsh Hall	\$2,390	\$797	78	86 beds
Apartments:				
University Court (per bed)			2	2 beds
2 bdrm / 9 month lease	\$3,185	\$1,060		*remainder houses AmeriCorp NCCC workers
2 bdrm / 12 month lease	\$2,866	\$ 955		
2 bdrm Early (12 in 9)	\$3,676	N/A		
University Village (per bed)			245	251 beds
2 bdrm / 9 month lease	\$3,936	\$1,203		
2 bdrm /12 month lease	\$3,526	\$1,174		
2 bdrm Early (12 in 9)	\$4,351	N/A		
4 bdrm / 9 month lease	\$3,546			
4 bdrm /12 month lease	\$3,136			
4 bdrm Early (12 in 9)	\$3,823			

Other Auxiliary Enterprises Revenues Secured Bonds. The University will be obligated with respect to other outstanding bonds which are secured by allocations of Auxiliary Enterprises Revenues, as of May 28, 2026 (collectively the “Parity Obligations”), as follows

Issue	Principal Outstanding	Final Maturity	Maximum Annual Debt Service (Fiscal Year)
Series 2016 Bonds	\$6,060,000	6/1/2039	\$571,137.50 (2026)
Series 2017 Bonds	\$6,400,000	3/1/2047	\$464,400.00 (2045)
Series 2018-B Bonds	\$7,675,000	3/1/2048	\$727,687.50 (2039)
Series 2019-B Bonds	\$4,885,000	3/1/2034	\$709,150.00 (2029)

The pledge of Auxiliary Enterprises Revenues to the Series 2026 Bonds will be on a parity with the pledge thereof to the bonds described in the table above.

Under a policy of the Department of Higher Education (of the State of Arkansas), the net housing revenues are required to be not less than 120% of the average annual principal and interest requirements on bonds secured by pledges of net Auxiliary Enterprises Revenues.

Reserve Funds; Insurance Policy

With respect to the Series 2026 Bonds, the Indenture requires that, upon the delivery of the Series 2026 Bonds, there shall be deposited with the Trustee for deposit in the Reserve Fund an amount equal to the average annual debt service payable on the Series 2026 Bonds. (See the definitions of Series Required Reserve in Appendix A hereto). The SAU Board is permitted to substitute a letter of credit, surety bond or other credit enhancement for funds on deposit in the Reserve Fund. For that purpose, the AG is providing a Municipal Bond Debt Service Reserve Insurance Policy (“Reserve Policy”) for the Series Required Reserve. The Reserve Policy will provide that after withdrawal of funds, if any, on deposit in the Reserve Fund and upon notice from the Trustee to AG to the effect that insufficient amounts are on deposit in the Debt Service Fund to pay the principal of or interest on the Series 2026 Bonds on any payment date, AG will promptly deposit with the Trustee an amount sufficient to make such payment or the available amount of the Reserve Policy, whichever is less. Upon the later of (i) one Business Day after receipt by AG of a demand for payment, duly executed by the Trustee, or (ii) the payment date of the Series 2026 Bonds as specified in the demand for payment presented by the Trustee to AG, AG will make a deposit of funds with the Trustee in the amount then due to the Trustee (as specified in the demand for payment) subject to the Reserve Policy coverage.

The available amount of the Reserve Policy is the initial face amount of the Reserve Policy less the amount of any previous deposits by AG with the Trustee that have not been reimbursed by the Issuer.

The Reserve Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or any paying agent.

The Reserve Policy expires upon the earlier of (i) the final maturity of the Series 2026 Bonds or (ii) the date on which the Issuer has made all payments required to be made on the Series 2026 Bonds under the Indenture.

Use of Moneys in the Reserve Fund. Moneys in each Reserve Fund shall be used solely for the payment of the principal of and interest on the Series 2026 Bonds to the extent moneys on deposit in the respective Debt Service Fund on any payment date are insufficient for such purpose.

STATE NOT LIABLE ON SERIES 2026 BONDS

The Series 2026 Bonds are obligations of the SAU Board secured by a pledge of the Trust Estate. Neither the principal of nor the interest on the Series 2026 Bonds nor the aforesaid pledge or any other agreement contained in the Indenture shall constitute an obligation of any nature whatsoever of the State, and neither the Series 2026 Bonds nor any obligation arising from said pledge or agreements shall be payable out of any moneys appropriated to the SAU Board or to the University by the State.

THE PLAN OF FINANCING

A portion of the proceeds of the Series 2026 Bonds, together with fund balances will be used to redeem all of the outstanding Alumni Association Housing Bonds.

SOURCES AND USES OF FUNDS¹

The proceeds of the Series 2026 Bonds will be used as follows

Sources of Funds

Principal Amount of Series 2026 Bonds	\$20,845,000.00
Transfers from Redeemed Bonds Indentures	
Net Original Issue Discount	
Total Sources:	

Uses of Funds

Alumni Association Housing Acquisition	\$21,212,052.32
Underwriter's Discount	
Costs of Issuance and Acquisition Costs	
Bond Insurance	
Reserve Policy	
Total Uses:	

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¹ Preliminary, subject to change.

**DEBT SERVICE REQUIREMENTS AUXILIARY REVENUE SECURED CAPITAL
IMPROVEMENT BONDS¹**

The following tables set forth the amounts required to pay scheduled principal and interest on the Series 2026 Bonds and parity indebtedness during the Fiscal Years indicated:

Fiscal Year (June 30)	Series 2026 Bonds Total Debt Service²	Debt Service on Parity Auxiliary Enterprises Secured Capital Improvement Bonds	Grand Total Annual Debt Service
2027	963,733.49	2,043,525.00	3,007,258.49
2028	1,077,643.76	2,038,968.76	3,116,612.52
2029	1,081,143.76	2,042,087.50	3,123,231.26
2030	1,079,268.76	2,038,550.00	3,117,818.76
2031	1,077,143.76	2,034,625.00	3,111,768.76
2032	1,079,643.76	2,039,562.50	3,119,206.26
2033	1,081,643.76	2,034,425.00	3,116,068.76
2034	1,078,268.76	1,992,275.00	3,070,543.76
2035	1,298,893.76	1,749,675.00	3,048,568.76
2036	1,303,018.76	1,758,475.00	3,061,493.76
2037	1,301,018.76	1,755,075.00	3,056,093.76
2038	1,300,368.76	1,754,875.00	3,055,243.76
2039	1,301,168.76	1,757,293.76	3,058,462.52
2040	1,497,168.76	1,182,493.76	2,679,662.52
2041	1,493,268.76	1,184,118.76	2,677,387.52
2042	1,498,168.76	1,189,350.00	2,687,518.76
2043	1,494,768.76	1,187,993.76	2,682,762.52
2044	1,492,981.26	1,184,775.00	2,677,756.26
2045	1,494,506.26	1,189,400.00	2,683,906.26
2046	1,499,118.76	1,182,175.00	2,681,293.76
2047	1,496,818.76	1,188,512.50	2,685,331.26
2048	1,496,978.13	722,800.00	2,219,778.13
2049	1,494,456.26		1,494,456.26
2050	1,494,737.52		1,494,737.52
2051	1,492,706.26		1,492,706.26
2052	1,497,375.00		1,497,375.00
2053	1,493,593.75	-	1,493,593.75
2054	1,496,962.50		1,496,962.50
2055	1,492,362.50		1,492,362.50
2056	1,494,675.00		1,494,675.00
Total	\$40,443,605.61	\$ 35,251,031.30	\$76,694,636.91

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¹ Preliminary, subject to change.

² Assumes an average coupon rate of 4.60% on the Series 2026 Bonds.

ESTIMATED DEBT SERVICE COVERAGE AUXILIARY REVENUE SECURED BONDS¹

Based Auxiliary Enterprises Revenues during Fiscal Year 2025, as set forth under the caption “Security for the Series 2026 Bonds” herein, and assuming debt service on the Series 2026 Bonds as shown under the caption “Debt Service Requirements” herein, the following table illustrates historical debt service coverage on the Series 2026 Bonds and parity indebtedness secured by the Auxiliary Enterprises Revenues.

	Fiscal Year 2025²
Auxiliary Enterprises Revenues	\$4,051,228
Maximum Annual Debt Service on Series 2026 Bonds and parity indebtedness	\$3,123,231
Coverage	1.30X ³

THE SAU BOARD

History and General Description

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

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

Southern Arkansas University is located on a tract of land of approximately 1,400 acres, of which 120 acres are included in the campus and 1,280 acres are used by the agriculture department as a laboratory for its students. The buildings are predominantly brick structures. The topography of the campus is a rounded,

¹ Preliminary; Subject to change.

² Unaudited

³ Preliminary, subject to change. Assumes an average coupon rate of 4.60% on the Series 2026 Bonds.

moderate elevation which slopes gently in all directions from the center portion. A five-acre park, which includes a grove of pine trees, marks the southeast corner of the campus.

Major additions include the Donald W. Reynolds Campus and Community Center (\$11.5 million), Honors Hall (\$4.1 million), East Hall (\$3.8 million), Band Hall (\$2.1 million), and Wharton Nursing additions (\$2.2 million). A \$16.5 million Science Center was constructed and occupied in fall 2012. In the years that followed, the Overstreet renovations (\$2.1 million), Agriculture Building (\$6.6 million), and the Mulerider Activity Center (\$4.5 million) were completed. More recent additions include University Hall (\$5.6 million), University Village Apartments (\$8.5 million), the Rodeo Arena (\$4.6 million), the Workforce Development Building (\$2.3 million), the Dining Hall expansion (\$2.0 million), Eichenberger Hall (\$2.1 million), and Burns-Harsh Hall (\$5.0 million). Most recently, the Education Building expansion (\$2.3 million) and the Student Athletic Success Center (\$3.2 million) were completed.

Southern Arkansas University's land holdings have expanded through charitable gifts, including approximately 400 acres of crop land in southern Lafayette County from the Monroe Farm donation, strengthening the university's agricultural operations and supporting hands-on learning opportunities for students. An additional 652 acres from the Laney Farm donation in 2014 has been developed as a Biological Preserve, providing a protected area where students and scientists conduct field studies across diverse habitats such as hay fields, woods, and a stream-fed pond. The property also supports educational and recreational activities, with plans including an interpretive trail and a trap shooting range.

In 1975, Southwest Technical Institute a two-year college located in Camden, Arkansas became part of the system governed by the SAU Board and changed its name to Southern Arkansas University Tech ("SAU Tech"). SAU Tech is governed by the SAU Board, but operated distinctly from the University. No revenues of SAU Tech are pledged as security for the Series 2026 Bonds.

Governance and Administration

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

Name	Office	City of Residence	Business or Profession	Term Expires (January 14)
Jason Sullivan	Chair	Mena	Banking	2027
Monty Harrington	Vice Chair	Magnolia	Banking	2028
Gary Sewell	Secretary	El Dorado	Fuel Distributor	2029
Iverson Jackson	Member	Little Rock	Pastor	2030
Joe Pieratt	Member	Magnolia	Banking	2031

The SAU Board of Trustees appointed Dr. Bruno Hicks President of the University System on June 17, 2024. Before coming to SAU, Dr. Hicks served as provost and vice president of academic affairs at Dalton State College, where he oversaw the four academic schools, the library, the Center for Teaching and Learning, the Student Success and Advising Center, Institutional Research, First Year Experience, the satellite Mountain Campus and the campus-wide strategic planning assessment. Between 2016 and 2020, Dr. Hicks served as the dean of the School of Education at Fitchburg State University in Fitchburg, MA. At Fitchburg, he founded the School of Education, led the School of Education through accreditation, and

organized the Young Teachers Academy. While in Massachusetts, Dr. Hicks chaired the Standing Committee of Education Deans for the state university system. Dr. Hicks dedicated his previous 18 years as a professor at the University of Maine Fort Kent (UMFK), where he served 14 years as the division chair of Teacher Education and led student-travel programs, providing educational opportunities beyond the classroom. Prior to joining UMFK, Dr. Hicks spent time as a seventh and eighth grade science and math teacher in the Maine public schools.

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

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

SOUTHERN ARKANSAS UNIVERSITY

Colleges

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

Degree Programs

Southern Arkansas University offers more than 100 degree programs in a family-like setting, all at one of the nation's most affordable rates. Many of the degree programs offer emphasis options. SAU offers bachelor's degrees in all colleges; associate degrees in the College of Business, the College of Liberal and Performing Arts, and the College of Science and Engineering; and master's degrees in all colleges. In addition, SAU offers various pre-professional curricula which will fulfill specific requirements for admission to programs in architecture, landscape architecture, chiropractic, dentistry, engineering, forestry, medicine, nursing, optometry, pharmacy, physical therapy, radiologic technology, and veterinary medicine or allow a student to pursue a career in the related health sciences of cardiopulmonary science, dental hygiene, medical technology, nuclear medicine technology, occupational therapy, radiologic technology, and respiratory therapy. In May of 2020, the Higher Learning Commission approved Southern Arkansas University to begin offering its first doctoral-level degree, the Doctor of Education (Ed.D.) in Rural and Diverse Educational Leadership.

The Higher Learning Commission conducted a comprehensive evaluation of the University, and in February 2023 the institution received its Reaffirmation of Accreditation, which is valid for a period of ten

(10) years. The University also submits an annual report to the Higher Learning Commission at the end of March each year.

Faculty

The University has 163 full-time members of the active teaching faculty located at the main campus in Magnolia, Arkansas, 40% hold master's degrees, 60% hold doctoral degrees. 42% percent of the faculty is tenured.

Library

Magale Library, centrally located on campus, is a comprehensive library learning resource center with 151,000 volumes and 38,000 full-text periodicals. The library has study spaces on each floor, reference-area computers, and a computer lab used to instruct students on accessing electronic information. The library currently provides access to several widely used research databases, including *Britannica Online*, *CQ Researcher*, *EBSCOhost*, *JSTOR*, *Project MUSE*, *ProQuest Central*, *ScienceDirect*, and *The Chronicle of Higher Education*, along with many additional resources. The library also offers access to popular e-book platforms, including *Credo Reference*, *EBSCO eBook Collection*, *Gale Virtual Reference Library*, *Libby from OverDrive*, *ProQuest Ebook Central*, and *ScienceDirect eBooks*. Access to library resources is available to SAU faculty and students from off campus from any computer with Internet access. Magale Library is open more than 70 hours per week.

Online Programs

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

- Bachelor of Business Administration (Management)
- Bachelor of Healthcare Administration
- Bachelor of Sports Management
- Master of Arts in Teaching
- Master of Business Administration
- Master of Business Administration (Agri Business)
- Master of Business Administration (Business Leadership)
- Master of Business Administration (Data Analytics)
- Master of Business Administration (Social Entrepreneurship)
- Master of Business Administration (Supply Chain Management)
- Master of Computer and Information Science
- Master of Education (Educational Leadership in Administration and Supervision)
- Master of Education (Gifted and Talented K-12)
- Master of Education (Higher Adult and Lifelong Education)
- Master of Education (Instructional Facilitator/LEAD Teacher)
- Master of Education (Special Education)
- Master of Education (College Counseling and Student Affairs)
- Master of Public Administration
- Master of Public Administration (Social Entrepreneurship)
- Master of Science in Agriculture
- Master of Science in Clinical and Mental Health Counseling
- Master of Science in Computer and Information Science (Cyber Security and Privacy)
- Master of Science in Computer and Information Science (Data Science)
- Master of Science in Kinesiology – Coaching
- Doctor of Education in Rural and Diverse Educational Leadership
- Bachelor of University Studies
- Bachelor of Criminal Justice
- Bachelor of Education – Elementary Education

Bachelor of Emergency Management
 Master of Science in Business Analytics
 Master of Science in Computer and Information Science (Information Technology)
 Master of Science in Computer and Information Science (Artificial Intelligence)

The current tuition revenue generated by the graduate enrollment is as follows:

Fiscal Year	Graduate Enrollment	Graduate SSCH (Student Semester Credit Hour)	Graduate Revenue	Master Rates In State/Out of State Rates Per Hour	Doctoral Rates In State/Out of State Rates Per Hour
2021-22	4,466	26,079	9,184,246	\$293 / 459	\$350
2022-23	5,632	30,541	14,505,218	\$304 / 478	\$350
2023-24	5,130	30,629	12,631,308	\$312 / 490	\$350
2024-25	4,224	24,300	9,686,900	\$320 / 502	\$350
2025-26(ytd)	TBD	TBD	TBD	\$329 / 516	\$400

The current tuition revenue generated by the undergraduate enrollment is as follows:

Fiscal Year	Undergraduate Enrollment	Undergraduate Student Semester Credit Hours	Undergraduate Revenue	Undergraduate Rates In State/Out of State Rates Per Hour
2021-22	7,116	87,223	22,786,610	\$225 / 399
2022-23	7,074	86,746	23,540,506	\$234 / 415
2023-24	7,062	88,897	24,605,799	\$240 / 426
2024-25	6,850	87,017	24,644,876	\$246 / 437
2025-26(ytd)	TBD	TBD	TBD	\$253 / 449

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The current online enrollment for both undergraduate and graduate students is set forth below. This enrollment includes students taking classes only online. This enrollment does not include students taking both online and in-person classes.

Fiscal Year	Online Enrollment	Student Semester Credit Hours
2021-22	5,226	30,134
2022-23	5,567	32,301
2023-24	5,235	31,855
2024-25	4,869	31,137
2025-26(ytd)	2,337	15,435

Accreditations

The University is accredited by the Higher Learning Commission of the North Central Association, the National Council of Accreditation of Teacher Education, the National League for Nursing Accrediting Commission, the National Association of Schools of Music, Council of Social Work Education, AACSB International, and Commissions on Accreditation of Athletic Training Education. The BS Mechanical Engineering program is accredited by the Engineering Accreditation Commission of ABET, under the commission's General Criteria and Program Criteria for Mechanical Engineering. The BS Engineering program is accredited by the Engineering Accreditation Commission of ABET, under the commission's General Criteria and Program Criteria for Engineering, General Engineering, Engineering Physics, and Engineering Science. Accreditation by these institutions affirm the University's commitment to quality.

Memberships

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

Athletics

The University's athletic program includes both individual and team sports. Varsity teams compete in the Great American Athletic Conference of NCAA Division II. Men's sports include basketball, baseball, cross country, football, golf, tennis, and track and field; women's sports include basketball, cross country, golf, softball, tennis, track and field, and volleyball. Intramural activities are offered throughout the academic year.

Southern Arkansas University Foundation and Endowments

The Southern Arkansas University Foundation, Inc. has approximately \$60.5 million in endowment as of June 30, 2025, and the University endowment has over \$5.9 million as of June 30, 2025, for a total endowment of over \$66.4 million. There are several hundred named endowments. These include scholarships, lectureships, professorships, artist-in-residence, and academic and athletic enrichment endowments. Almost all the Foundation's assets are restricted by donor declaration. For further financial information regarding the Southern Arkansas University Foundation, Inc. and University endowments see Appendix E—Fiscal Year 2025 Unaudited Financial Report.

Financial Aid

SAU offers a comprehensive scholarship program based on academic, performance, or leadership accomplishments. Scholarships can be maintained for up to two-to-eight semesters if retention criteria are met (minimum number of hours per semester and minimum grade point). Scholarship amounts vary from tuition, room and board, and stipend (books) for Presidential Distinguished to a set dollar amount less than full tuition for leadership awards and performance. The overall program is designed to reward accomplishments in high school or at a two-year college that indicate potential for success at SAU. In addition, a non-traditional scholarship is offered to individuals who have been out of college for five years who meet criteria. For the 2024-2025 school year, operating expenses for scholarships excluding scholarship allowances totaled approximately \$5.1 million and work-study labor assistance amounted to approximately \$1.7 million. An average of 78% percent of the University's students receive some form of financial aid.

Enrollment

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

Fiscal Year	2025-26	2024-25	2023-24	2022-23
Second Summer	427	447	456	502
Fall	3,153	3,102	3,250	3,148
Spring	2,827	2,817	2,861	2,851
First Summer	TBD	484	495	573
Total Annualized		6,850	7,062	7,074

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

Fiscal Year	2025-26	2024-25	2023-24	2022-23
Second Summer	310	380	525	715
Fall	1,156	1,630	1,877	1,946
Spring	992	1,448	1,725	1,826
First Summer	TBD	766	1,003	1,145
Total Annualized		4,224	5,130	5,632

SAU's primary service area is generally those counties which are in the south central part of the State. During fiscal years 2022-23, 2023-24, and 2024-25, the enrollment averaged 65% percent in-state students and 17% percent out-of-state students with an average of 18% foreign students from 29 countries. In fall 2025, SAU's residence halls housed 1,331 students and 247 students were housed in SAU-owned apartments.

Admissions Policy

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

Undergraduate beginning students are required to submit an application for admission. A minimum ACT or SAT score may be waived for applicants who meet a minimum GPA requirement and complete an alternative placement exam. Applicants must also provide documentation of high school graduation or GED completion. For conditional admission, a prospective student must have either a minimum cumulative high school GPA of 2.30 in required non-remedial courses or a composite ACT or equivalent score of 16 or higher. Unconditional admission requires a minimum ACT or equivalent of 19 or higher in English, Math, and Reading.

Students admitted conditionally must successfully complete all developmental courses that are required to take using a multiple-measures approach. Students are required to successfully complete all assigned developmental courses in a regular and consistent manner, enrolling in the courses each semester until the requirements are satisfied. If a student is required to take two or more developmental courses, the student must register for at least two developmental courses during the first semester of enrollment.

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

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

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

The fall 2025 average composite for ACT score for the University was 21.24. The fall 2025 average composite for ACT score for the University freshmen was 19.49.

The University's acceptance and matriculation rates for terms beginning Fall 2018 and ending Fall 2025 is as follows:

Term	Applicants	Acceptance		Matriculation	
		Number	%	Number	%
Fall 2025	2,680	1,932	72%	653	34%
Fall 2024	2,708	2,040	75%	709	34%
Fall 2023	2,936	1,955	66%	797	40%
Fall 2022	2,916	1,855	63%	707	38%
Fall 2021	2,813	1,761	62%	632	35%
Fall 2020	3,426	2,348	68%	776	33%
Fall 2019	3,870	2,518	65%	833	33%
Fall 2018	3,552	2,443	68%	900	37%

Marketing

The University has developed a comprehensive marketing plan and reviews it annually. The marketing team advertises the University through billboards, commercials, and various forms of online media. The admissions team distributes t-shirts, pens, banners, and other promotional items to prospective students. The admissions staff and the Associate Vice President of Enrollment Services make annual visits to area high schools and attends various events and college fairs. In addition, e-blasts and mail generating systems are used for communication. Top quality literature and graphics enhance the University website and serve as marketing tools in magazines, websites, annuals, newspapers, etc.

Financial Information

The financial statements of the University as for the fiscal year ending June 30, 2024 have been audited by the State of Arkansas Legislative Joint Auditing Committee, Division of Legislative Audit. Audited financial statements may be obtained at the Arkansas Division of Legislative Audit's website (currently www.arklegaudit.gov using the search term "Southern Arkansas University"). The following is a summary of financial information for the University.

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

REVENUES	2025	2024	2023	2022
Operating Revenues	(unaudited)			
Student tuition and fees	\$24,232,374	\$28,553,670	\$32,923,433	\$25,026,991
Federal grants and contracts	3,276,930	2,874,852	3,562,506	2,944,029
State and local grants and contracts	1,124,591	514,374	383,863	449,020
Non-governmental grants and contracts	365,315	478,745	508,646	2,561,267
Sales and services of education depts	187,801	203,977	196,109	166,531
Auxiliary enterprises:				
Athletics	88,605	78,535	140,186	21,350
Housing and food service	9,874,267	9,889,992	9,596,255	9,734,575
Bookstore	142,264	174,008	133,699	162,360
Health services	7,375	11,755	14,743	41,399
Student activities	32,265	42,024	22,671	6,438
Other	157,669	166,640	169,419	149,884
Other operating revenues	915,178	1,173,590	1,508,658	1,056,837
Total Operating Revenues	40,404,634	44,162,162	49,160,188	42,320,681
EXPENSES				
Operating expenses:				
Personal services	39,679,440	39,961,169	39,311,732	38,035,780
Supplies and other services	26,630,715	28,260,136	29,013,423	22,786,827
Scholarships and fellowships	5,112,093	3,575,698	6,351,628	8,877,167
Depreciation/amortization	4,277,523	4,211,908	3,737,181	3,556,978
Total Operating Expenses	75,699,771	76,008,911	78,413,964	73,256,752
Operating Income (Loss)	(35,295,137)	(31,846,749)	(29,253,776)	(30,936,071)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	18,907,157	18,940,768	19,143,003	18,817,749
Federal grants	10,005,144	9,792,440	14,387,986	16,179,790
State grants	3,953,250	3,400,000	3,331,250	3,217,815
Non-governmental gifts and grants	739,295	733,930	914,672	202,554
Investment income	1,355,049	1,630,049	1,330,303	(375,569)
Interest on capital (asset related debt)	(2,136,292)	(2,227,990)	(2,305,987)	(2,359,066)
Gain (Loss) on disposal of net assets	245,264	265,736	192,599	154,181
Other nonoperating revenues	19,343	62,422	(10,142)	(7,672)
Amortization/deferral on discount/defeasance	(66,103)	(66,103)	(66,103)	(66,103)
Amorization of bond premium	55,766	55,766	55,766	55,766
Bond issuance costs	(10,529)	(10,529)	(10,529)	(10,529)
Net Nonoperating Revenues	33,067,344	32,576,489	36,962,818	35,808,916
Income before other revenues, expenses, gains/losses	(2,227,793)	729,740	7,709,042	4,872,845
Capital appropriations	1,621,991	391,009	-	572,298
Capital gifts and grants	2,744,848	161,568	93,480	1,146,298
Donated assets	161,400	387,108	331,429	25,658
Net increase (decrease) in net position	2,300,446	1,669,425	8,133,951	6,617,099
NET POSITION				
Net Position — Beginning year	71,939,334	70,269,909	62,135,958	55,456,971
Restatement				61,888
Net Position — Beginning year (as restated)	71,939,334	70,269,909	62,135,958	55,518,859
Net Position — End of Year	\$74,239,780	\$71,939,334	\$70,269,909	\$62,135,958

CERTAIN RISK FACTORS

General

Prospective purchasers of the Series 2026 Bonds should be aware certain investment considerations and risk factors in evaluating an investment in the Series 2026 Bonds. Purchase of the Series 2026 Bonds involves investment risk. Accordingly, prospective purchasers should carefully consider the following investment considerations and risk factors, in addition to other information concerning the University contained in this Official Statement, before purchasing the Series 2026 Bonds offered hereby.

Some of the risks that could affect the Series 2026 Bonds and future financial condition of the University are described below. The description of various risks is not, and is not intended to be, exhaustive and such risks are not necessarily presented in the order of magnitude. Inclusion of certain factors below is not intended to signify that there are no other investment considerations or risks attendant to the Series 2026 Bonds.

Limited Source of Payment

The Series 2026 Bonds will be obligations of the SAU Board, payable from, and secured by a pledge of, the Auxiliary Enterprises Revenues in the case of the Series 2026 Bonds. See "SECURITY AND SOURCE OF PAYMENT". While the Act provides that the Series 2026 Bonds are general obligations of the SAU Board, the Series 2026 Bonds will not be debts or obligations of the State, and debt service on the Series 2026 Bonds will not be payable out of any money provided or appropriated to the SAU Board by the State. To the extent the Revenues and the Trust Estate are insufficient to pay the obligations of the SAU Board pursuant to the Indenture, the SAU Board is limited in paying such obligations only from such other monies as are available to the SAU Board under the Constitution and laws of the State which do not include any money provided or appropriated to the SAU Board by the State. Bondholders' rights to demand payment of the Series 2026 Bonds from the SAU Board from any source other than the applicable Trust Estate may be barred under the Constitution and laws of the State. Bondholders of the Series 2026 Bonds shall be entitled to payment only on a parity basis with all other bonds outstanding under the applicable Indenture.

Factors Affecting the SAU Board's Funding

The State portion of the SAU Board's budget is subject to appropriation by the General Assembly of the State every year, and the SAU Board has no control over the amounts so appropriated. There can be no assurance that the levels of future appropriations to the SAU Board will not impair its ability to make payments on the Series 2026 Bonds. The Arkansas Supreme Court has ruled that the State's public school (primary and secondary) funding system is a priority for appropriation of State funds.

In the 2018-2019 fiscal year, the State implemented a productivity-based funding model (the "Productivity-Based Funding Model") for State-supported institutions of higher education, including campuses of the System. The productivity-based funding formula and related policies contain measures for effectiveness, affordability, and efficiency that acknowledge the following priorities: (i) differences in institutional missions; (ii) completion of students' educational goals; (iii) progression toward students' completion of programs of study; (iv) affordability through (A) on-time completion of programs of study, (B) limiting the number of excess credits earned by students, and (C) efficient allocation of resources; (v) institutional collaboration that encourages the successful transfer of students; (vi) success in serving underrepresented students; and (vii) production of students graduating with credentials in science, technology, engineering, mathematics, and high-demand fields. The Productivity-Based Funding Model replaced the prior Arkansas higher education funding formula, which was based largely on student enrollment.

In its 2025 regular session, the Arkansas General Assembly adopted the Arkansas ACCESS Act (the "ACCESS Act"), which introduces a "return on investment" metric into the Productivity-Based Funding Model beginning in the 2026-2027 academic year. Rules regarding implementation of the return on investment metric will be promulgated by the Arkansas Division of Higher Education. At this time, the System is unable to predict any effect of the ACCESS Act's changes to the Productivity-Based Funding Model on System campuses.

In addition, the ACCESS Act implements certain limitations on the types of programs, teaching practices, and admissions practices commonly referred to as "diversity, equity, and inclusion" for Arkansas public institutions of higher education, including the University. A violation of these limitations can jeopardize State funding. The University is in compliance with the requirement of the ACCESS Act.

From time to time, the Arkansas General Assembly implements individual and income tax decreases because of a number of factors, including budget surpluses. There can be no assurance that decreased taxation will not eventually result in funding decreases for State institutions of higher education.

Limitation on Remedies Upon Default

The Indenture does not constitute a mortgage on or security interest in any properties of the State or the SAU Board, and no foreclosure or sale proceedings with respect to any property of the State or the SAU Board may occur. Under the United States and Arkansas Constitutions, the SAU Board has sovereign immunity from certain lawsuits, but agents and employees of the SAU Board may, by mandamus, be compelled to apply the Revenues to the payment of the Series 2026 Bonds in accordance with the terms of the applicable Indenture. Rights of the registered owners of the Series 2026 Bonds and the enforceability of the remedies available under the Indenture may depend upon 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 laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. The various legal opinions to be delivered concurrently with the delivery of the Series 2026 Bonds will be qualified as to enforceability of the various legal instruments, limitations imposed by bankruptcy, reorganization, insolvency or similar laws affecting the rights of creditors generally and by judicial discretion applicable to equitable remedies and proceedings generally.

Cybersecurity

The University relies on various information technology systems to conduct academic, administrative, financial, and operational functions, as well as to manage and protect sensitive data relating to students, faculty, staff, donors, and research activities. These systems are critical to daily operations and are increasingly subject to cyber threats, including but not limited to ransomware, phishing, malware, data breaches, and other forms of unauthorized access or disruption.

Cybersecurity risks have become an area of increasing concern across higher education institutions and the public sector generally. While the University employs measures designed to detect, prevent, and respond to cyber incidents—such as firewalls, network monitoring, multi-factor authentication, data encryption, and user training—no system can be made entirely secure, and there can be no assurance that such safeguards will be fully effective or sufficient to prevent all potential attacks.

A significant cybersecurity event could interrupt the University's operations, compromise personal or confidential information, result in financial losses, expose the University to legal claims or regulatory action, and damage its reputation. The University is not aware of any material cybersecurity incidents to date.

Public Health Emergencies

The potential for pandemics or public health emergencies is an ongoing risk. Any outbreak could result in temporary or prolonged closures, transitions to online learning, restrictions on travel or gatherings, increased costs for health and safety compliance, or other disruptions that could materially affect the University's operations or financial condition.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign the Series 2026 Bonds an insured rating of "AA" (stable outlook) with the understanding that, upon delivery of the Series 2026 Bonds, AG will deliver the Policy to Trustee (the "Insured Ratings"). The Insured Ratings provided by S&P on the Series 2026 Bonds reflects S&P's current assessment of the

creditworthiness of AG and its ability to pay claims on its policies of insurance. Any further explanation of the significance of the such rating may be obtained only from the S&P.

The rating on the cover page is not a recommendation to buy, sell or hold the Series 2026 Bonds, and any such rating may be subject to withdrawal at any time by S&P. Any downward revision or withdrawal or any or all of such rating may have an adverse effect on the market price of the Series 2026 Bonds. Neither the SAU Board nor the Underwriter have undertaken any responsibility either to bring to the attention of the holders of the Series 2026 Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

LEGAL MATTERS

Federal Tax Exemption

In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, interest on the Series 2026 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2026 Bonds, assuming the accuracy of the certifications of the SAU Board and continuing compliance by the SAU Board with the requirements of the Code. Interest on the Series 2026 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Series 2026 Bonds held by a corporation (other than an S Corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding other Federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2026 Bonds.

As shown on the inside front cover of this Official Statement, certain Series 2026 Bonds are offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2026 Bond through reductions in the holder’s tax basis for the Series 2026 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Bondholders should consult their tax advisors for an explanation of the amortization rules.

State Tax Exemption

Bond Counsel is of the opinion that, under existing law, the Series 2026 Bonds and interest thereon are exempt from all Arkansas state, county, and municipal taxes.

Legal Opinions

Legal matters incident to the authorization and issuance of the Series 2026 Bonds are subject to the unqualified approving opinion of Rose Law Firm, a Professional Association, Bond Counsel, whose approving opinion will be delivered with the Series 2026 Bonds.

Legal Proceedings

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2026 Bonds, or in any way contesting or affecting the validity of the Series 2026 Bonds, any proceedings of the SAU Board taken with respect to the issuance or sale thereof, the pledge or application of the Revenues or other moneys that may be provided for the payment of the Series 2026 Bonds, the existence or powers of the SAU Board or the title of any officers of the SAU Board to their respective positions, or the ability of the SAU Board to make payment on the Series 2026 Bonds.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the SAU Board, that are not purely historical are forward-looking statements, including statements regarding the SAU Board's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the SAU Board on the date hereof, and the SAU Board assumes no obligation to update any such forward-looking statements. It is important to note that the SAU Board's actual results could differ materially from those in such forward-looking statements.

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

UNDERWRITING

Under a bond purchase agreement entered into by and between the SAU Board and the Underwriter the Series 2026 Bonds are being purchased at an aggregate purchase price of [\$ _____] (representing the par amount of the Series 2026 Bonds, less the Underwriter's discount of [\$ _____] plus original issue [premium/discount] of [\$ _____]). The bond purchase agreements provide that the Underwriter will purchase all of the Series 2026 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2026 Bonds is subject to various conditions contained in the bond purchase agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2026 Bonds or any proceedings in connection with the issuance thereof and the absence of material adverse changes in the financial or operating condition of the University.

The Underwriter intends to offer the Series 2026 Bonds to the public initially at the offering prices set forth inside the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2026 Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price. In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

MISCELLANEOUS

The SAU Board has furnished the information in this Official Statement relating to the operations and finances of the University. The Underwriter has furnished the information in this Official Statement with respect to the public offering price of the Series 2026 Bonds and the information under the caption "Underwriting" herein.

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

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

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

Signature page follows.

The execution and delivery of this Official Statement has been duly authorized by the SAU Board.

**BOARD OF TRUSTEES OF SOUTHERN
ARKANSAS UNIVERSITY**

Dr. Bruno Hicks, President

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

The following are definitions of some of the words and terms used in this Official Statement including Appendix B-Summary Portions of the Indenture:

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

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

“Additional Bonds” means the additional parity bonds authorized to be issued by the SAU Board pursuant to the provisions of the Indenture regarding additional bonds to pay (i) the costs of constructing capital improvements to the University, or (ii) the costs of refunding, to the extent permitted by law, any Outstanding Bonds. See the caption “The Series 2026 Bonds—Additional Bonds” in the Official Statement.

“Alumni Association Housing Bonds” means the Facilities Board Series 2015A Bonds, the Facilities Board Series 2016 Bonds, and the Facilities Board Series 2018A Bonds.

“AG” or the “Insurer” means Assured Guaranty Inc., a Maryland corporation, or any successor thereto or assignee thereof.

“Annual Debt Service” means, for any Fiscal Year the sum of all amounts required to pay principal (at maturity or upon mandatory redemption) and interest due in such Fiscal Year on all outstanding Auxiliary Enterprises Revenue Secured Bonds.

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

“Auxiliary Enterprises Revenues” means any revenue producing facility or enterprise owned and operated by the Issuer on the main campus of the University in the City of Magnolia, Arkansas, including, but not limited to, the University’s Housing System, student union building, post office, food service facilities and book store, but as it relates to the Series 2026 Bonds, Auxiliary Enterprises do not include athletic facilities.

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

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

“Bond”, “Bonds” or Auxiliary Enterprises Revenue Secured Bonds shall mean the initial bonds or Additional Bonds issued under the Indenture.

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

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

“Bond Resolutions or Bond Resolution” means the resolutions adopted by the SAU Board on October 8, 2025, and March 5, 2026 authorizing the issuance of the Series 2026 Bonds and the execution and delivery of the Indenture.

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

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

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

“Chairman” means the Chairman of the SAU Board.

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

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

“Conditional Redemption” means a redemption where the SAU Board has stated in the redemption notice to the Trustee that the SAU Board has retained the right to rescind the redemption, as further described in the Indenture. See the caption “The Series 2026 Bonds—Notice of Redemption” in the Official Statement.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of May 28, 2026, by and between the SAU Board and the Trustee. See Appendix C—Form of Continuing Disclosure Agreement.

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

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

“Debt Service Fund” means the trust fund so designated which is described in the provisions of the Indenture regarding the Debt Service Fund. See the caption “Security for the Series 2026 Bonds—Debt Service Fund” in the Official Statement.

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

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

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

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

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

“Facilities Board” means the Housing Facilities Board of the City of Magnolia, Arkansas.

“Facilities Board Series 2015A Bonds” means the Facilities Board’s \$10,000,000 original principal amount University Housing Revenue Bonds (Southern Arkansas University Project), Series 2015A.

“Facilities Board Series 2016 Bonds” means the Facilities Board’s \$5,910,000 original principal amount University Housing Revenue Bonds (Southern Arkansas University Project), Series 2016.

“Facilities Board Series 2018A Bonds” means the Facilities Board’s \$9,160,000 original principal amount University Housing Revenue Bonds (Southern Arkansas University Project), Series 2018A.

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

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

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

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

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

“Indenture” means the Trust Indenture, dated as of January 1, 1999, by and between the SAU Board and the Trustee, with any amendments or supplements made thereto in accordance with the terms thereof including the Supplemental Trust Indenture dated as of May 28, 2026 by and between the SAU Board and the Trustee providing for the Series 2026 Bonds .

“Interest Payment Date” means, (a) with respect to the Series 2026 Bonds, June 1 and December 1 of each year beginning December 1, 2026 (b) for any Additional Bonds, the days designated in the supplemental indenture authorizing such Additional Bonds, (c) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, and (d) for all Bonds any date determined pursuant to the provisions of the Indenture regarding priority of payment following an Event of Default. See the caption “Events of Default and Remedies—Priority of Payment Following Event of Default” in Appendix B—Summary of Portions of the Indenture.

“Issue Date” means, with respect to the Series 2026 Bonds, the date of issuance and delivery of the Series 2026 Bonds to the Underwriter and, with respect to any Additional Bonds, the date of issuance and delivery of such Additional Bonds to the initial purchasers thereof.

“Letter of Representations” means when all of the Series 2026 Bonds of a Series are Book Entry Bonds, the Blanket Letter of Representations executed by the SAU Board and delivered to the Securities Depository and any amendments thereto or successor blanket agreements between the SAU Board and any successor Securities Depository, relating to a system of Book Entry Bonds to be maintained by the Securities Depository with respect to any bonds, notes, or other obligations issued by the SAU Board.

“Municipal Bond Insurance Policy”, “Policy” or “Policies” means the insurance policy issued by AG, as the case may be, guaranteeing the scheduled payment of the principal of and interest on the Series 2026 Bonds when due.

“Officer’s Certificate” of the SAU Board means a written certificate, statement, request, direction, or order signed in the name of the SAU Board by its Chairman, Secretary, a Board Representative, or such

other person as may be designated and authorized in writing to sign for the SAU Board, signed by the President of the University and forwarded to the Trustee.

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

“Parity Obligations” means collectively the Series 2016 Bonds, the Series 2017 Bonds, the Series 2018-B Bonds, the Series 2019-B Bonds.

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

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

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

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

“Principal Office of the Trustee” means the designated corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Indenture is 1720 Higdon Ferry Road, Suite 102, Hot Springs, Arkansas 71913.

“Project” with respect to the Series 2026 Bonds means the Series 2026 Project as further described under caption Introductory Statement-Purpose in the Official Statement.

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

“Rating Service” means any nationally recognized securities rating service that shall have assigned a rating that is then in effect with respect to the Series 2026 Bonds upon application of the SAU Board.

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

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

“Record Date” means, (a) with respect to any Interest Payment Date described in (a) or (b) of that defined term, (1) in the case of Bonds which are not Book Entry Bonds the Trustee’s close of business on

the 15th day of the calendar month next preceding such Interest Payment Date, regardless of whether such day is a Business Day, and (2) in the case of Book Entry Bonds the Trustee's close of business on the Business Day preceding the Interest Payment Date, and (b) with respect to any other Interest Payment Date, a date selected by the Trustee.

"Regulations" means any applicable Internal Revenue Service Regulations promulgated in proposed, temporary, or final form pursuant to the Code or any corresponding provision of a predecessor or successor statute. Proposed regulations are "applicable" only if, in the event they are adopted in final form, such regulations would apply to the Series 2026 Bonds.

"Reserve Fund" means the trust fund so designated which is described in described in the Indenture. See the captions "Security for the Series 2026 Bonds—Reserve Fund" in the Official Statement and "Funds and Accounts—Reserve Fund" in Appendix B—Summary of Portions of the Indenture.

"Reserve Policy" or "Reserve Policies" means the Municipal Bond Debt Service Reserve Insurance Policy issued by AG insuring payment of an amount not in excess of the Series Required Reserve for the Series 2026 Bonds. The Reserve Policy constitutes a permitted credit facility under the Indenture.

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

"Revenues" means Auxiliary Enterprises Revenues.

"SAU Board" means the Board of Trustees of Southern Arkansas University and its successors and assigns.

"Secretary" means the Secretary of the SAU Board.

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

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

"Series 2016 Bonds" means the SAU Board's \$9,135,000 original principal amount Auxiliary Enterprises Secured Refunding Bonds, Series 2016.

"Series 2017 Bonds" means the SAU Board's \$8,000,000 original principal amount Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2017.

"Series 2018-B Bonds" means the SAU Board's \$7,675,000 original principal amount Auxiliary Enterprises Revenue Secured Capital Improvement and Refunding Bonds, Series 2018-B.

"Series 2019-B Bonds" means the SAU Board's \$7,010,000 original principal amount Auxiliary Enterprises Secured Refunding Bonds, Series 2019-B.

"Series 2026 Bonds" means the series of bonds issued pursuant to the Supplemental Trust Indenture dated as of May 28, 2026, between the SAU Board and the Trustee.

“Series 2026 Project” means the costs of redeeming the Alumni Association Housing Bonds; paying other costs related to the acquisition and conveyance of the Alumni Association Housing Projects; paying the costs of issuance of the Series 2026 Bonds; funding a debt service reserve fund; and purchasing a municipal bond insurance policy and a reserve fund insurance policy for the Series 2026 Bonds and such other “Project Costs” or “Costs” as defined in the Trust Indenture, dated as of January 1, 1999, by and between the SAU Board and the Trustee, as such costs may relate to the Series 2026 Project.

“Project Costs” or “Costs” means costs of the SAU Board properly attributable to the Series 2026 Project and all expenses preliminary and incidental thereto incurred by the SAU Board in connection therewith and in the issuance of the Series 2026 Bonds, including all fiscal, underwriting, financing, and legal expenses and costs of issuance, printing, and advertising, for which funds may be disbursed from the Project Fund, including but not limited to: (a) Costs of redeeming the Alumni Association Housing Bonds; (b) Payment of the initial or acceptance fee of the Trustee; (b) Payment to the SAU Board of such amounts, if any, as shall be necessary to reimburse the SAU Board in full for advances and payments theretofore made or costs theretofore incurred by the SAU Board; (c) Payment of the costs of issuance of the Series 2026 Bonds, including legal, accounting, and fiscal agent and underwriting fees and expenses, payments and fees due under any agreement pursuant to which any Series of Bonds is sold, bond discount, and printing and engraving costs incurred in connection with the authorization, sale, and issuance of the Series 2026 Bonds and preparation of the Indenture or any supplemental indenture pursuant to which the Series 2026 Bonds will be issued; (d) The amount, if any, to be deposited into the Debt Service Reserve Account pursuant to the Indenture; and (e) Payment of any other costs and expenses relating to such Project, including fees and expenses of the Trustee and of professional services to comply with the arbitrage rebate requirements of the Code. (f) bond insurance?

“Series Required Reserve” means (a) for the Series 2026 Bonds, [\$_____,] and, (b) for any Series of Additional Bonds, an amount, determined at the time of issuance of such Additional Bonds, equal to the average annual debt service payable on such Additional Bonds; provided, however, that the Series Required Reserve shall not exceed the lesser of: (1) 10 percent of the original principal amount of such Additional Bonds; (2) the maximum annual principal and interest requirement on such Additional Bonds; and (3) 125 percent of the average annual debt service payment on such Additional Bonds, or such other amount permitted by changes in federal tax law.

“State” means the State of Arkansas.

“Tax Regulatory Agreement” means the agreement or agreements by and between the SAU Board and the Trustee presenting the procedures for compliance with section 148 of the Code which are applicable to the Series 2026 Bonds and the Indenture.

“Trust Estate” means all right, title, and interest of the SAU Board in and to (a) Auxiliary Enterprises Revenues, (b) Funds (except for the Rebate Fund), and (c) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered, or hypothecated as and for additional security under the Auxiliary Revenue Secured Bond Indenture by the SAU Board or by anyone on its behalf or with its written consent in favor of the Trustee.

“Trustee” means the bank or trust company serving as trustee under the Indenture. The original Trustee is Community First Trust Company, Hot Springs, Arkansas, a state banking association, and its successors.

“Underwriter” means Stephens Inc.

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

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APPENDIX B

SUMMARY OF PORTIONS OF THE INDENTURE

The following statements are brief summaries of certain provisions of the Indenture. The statements do not purport to be complete, and reference is made to the Indenture, copies of which are available for examination at the offices of the President of the University System, for a full statement thereof. Reference is made to the caption “**Bond Insurance Provisions**” below regarding rights given to AG in respect to the Series 2026 Bonds under the Indenture.

Authorization and Registration of Bonds

Limitation. No obligations may be issued by the SAU Board (a) which are senior in claim on the Trust Estate to the Series 2026 Bonds or (b) which, other than Additional Bonds, have a claim on the Trust Estate in parity with the Series 2026 Bonds. The SAU Board reserves the right to issue obligations which are junior or subordinate in claim on the Trust Estate to the Series 2026 Bonds.

Registration of Transfer and Exchange of Bonds; Persons Treated as Bondholders. The Trustee shall act as initial bond registrar (the “Bond Registrar”) and in such capacity shall maintain a bond register (the “Bond Register”) for the registration and transfer of Bonds. Upon surrender of any Bonds at the Principal Office of the Trustee, together with an assignment duly executed by the current Bondholder of such Bonds or such Bondholder’s duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, such Bonds may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of Authorized Denominations, and bearing interest at the same rate and in the same form as the Series 2026 Bonds surrendered for exchange, registered in the name or names requested by the assignee of the then Bondholder; provided the Trustee is not required to exchange or register the transfer of Bonds after the giving of notice calling such Bond for redemption, in whole or in part. The SAU Board shall execute and the Trustee shall authenticate any Bonds whose execution and authentication is necessary to provide for exchange of Bonds as described at this caption and the SAU Board may rely on a representation from the Trustee that such execution is required.

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

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

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

Mutilated, Lost, or Destroyed Bonds. If any Bond has been mutilated, lost, or destroyed, the SAU Board shall execute, and the Trustee shall authenticate and deliver to the Bondholder, a new Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond but only if the Bondholder has paid the reasonable expenses and charges of the SAU Board and the Trustee in connection therewith and, in the case of a lost or destroyed Bond, (a) filed with the Trustee evidence satisfactory to the Trustee that such Bond was lost or destroyed and (b) furnished to the Trustee indemnity satisfactory to it. If any such Bond has matured or been called for redemption and is payable, instead of issuing a new Bond the Trustee may pay the same without issuing a replacement Bond.

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

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

Securities Depository Provisions. The Series 2026 Bonds shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and shall be held in the custody of DTC. The SAU Board and the Trustee acknowledge that they have executed and delivered a Letter of Representations with DTC. All payments of principal of and interest on the Series 2026 Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations. The terms and provisions of the Letter of Representations shall govern in the event of any inconsistency between the provisions of the Indenture and the Letter of Representations. The Letter of Representations may be amended without Bondholder consent. All payments of principal of and interest on the Book Entry Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations.

The book-entry registration system for all of the Series 2026 Bonds may be terminated and certificates delivered to and registered in the name of the Beneficial Owners, under either of the following circumstances:

(a) DTC notifies the SAU Board and the Trustee that it is no longer willing or able to act as Securities Depository for the Series 2026 Bonds and a successor Securities Depository for the Series 2026 Bonds is not appointed by the SAU Board prior to the effective date of such discontinuation; or

(b) The SAU Board determines that continuation of the book-entry system through DTC (or a successor securities depository) is not in the best interest of the Owners of the Series 2026 Bonds.

In the event a successor Securities Depository is appointed by the SAU Board, the Series 2026 Bonds will be registered in the name of such successor securities depository or its nominee. In the event certificates are required to be issued to Beneficial Owners, the Trustee, and the SAU Board shall be fully protected in relying upon a certificate of DTC or any DTC participant as to the identity of and the principal amount of Bonds held by such Beneficial Owners.

The Beneficial Owners of Bonds will not receive physical delivery of certificates except as provided in the Indenture. For so long as there is a Securities Depository for the Series 2026 Bonds, all of such Bonds shall be registered in the name of the nominee of the Securities Depository, all transfers of beneficial ownership interests in such Bonds will be made by the nominee of the Securities Depository, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership of such Bonds is to receive, hold, or deliver any certificate. The SAU Board and the Trustee shall have no responsibility or liability for transfers of beneficial ownership interests in such Bonds.

The SAU Board and the Trustee will recognize the Securities Depository or its nominee as the Bondholder for all purposes, including receipt of payments, notices, and voting; provided the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Bondholders of a related portion of the Series 2026 Bonds when such votes are received in compliance with an omnibus proxy or other comparable evidence delivered to the Trustee by the Bondholders.

With respect to Book Entry Bonds, the SAU Board and the Trustee shall be entitled to treat the Person in whose name such Bond is registered as the absolute owner of such Bond for all purposes of the Indenture, and neither the SAU Board nor the Trustee shall have any responsibility or obligation to any Beneficial Owner of such Book Entry Bond. Without limiting the immediately preceding sentence, neither the SAU Board nor the Trustee shall have any responsibility or obligation with respect to (a) the accuracy of the records of any Securities Depository or any other Person with respect to any ownership interest in Book Entry Bonds, (b) the delivery to any Person, other than a Bondholder, of any notice with respect to Book Entry Bonds, including any notice of redemption or refunding, (c) the selection of the particular Bonds or portions thereof to be redeemed or refunded in the event of a partial redemption or refunding of part of the Series 2026 Bonds Outstanding, or (d) the payment to any Person, other than a Bondholder, of any amount with respect to the principal of or redemption premium, if any, or interest on Book Entry Bonds.

Redemption of Bonds

Redemption Dates and Prices. The Series 2026 Bonds may not be called for redemption by the SAU Board except as provided in the Indenture. Additional Bonds may not be called for redemption by the SAU Board except as provided in the supplemental indenture providing for their issuance.

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

Funds and Accounts

Creation of Funds. The following funds are created by the Indenture and the proceeds of the Series 2026 Bonds and all Auxiliary Enterprises Revenues received by the Trustee are, subject to the provisions of the Indenture regarding priority of payment following an Event of Default (see the caption “Events of Default and Remedies—Priority of Payment Following Event of Default” herein), to be deposited by it in

the Funds described in the Indenture and held in trust for the purposes set forth in the Indenture: (a) Project Fund; (b) Debt Service Fund; (c) Reserve Fund; and (d) Rebate Fund.

Project Fund. The Project Fund shall be used for the payment of Project Costs and any future capital acquisitions and improvements to be paid from the proceeds of Additional Bonds. The Project Fund shall consist of the amounts required or permitted to be deposited therein pursuant to any provision of the Indenture and that portion of the proceeds of the Series 2026 Bonds designated in a certificate of the SAU Board signed by its Authorized Representative shall be deposited therein. Separate accounts within the Project Fund shall be maintained by the Trustee for future capital acquisitions and improvements if the SAU Board determines that separate accounts are desirable with respect to particular capital acquisitions and improvements or designated portions of capital acquisitions and improvements. Payments from the Project Fund or any account so established shall be made by the Trustee as follows:

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

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

Debt Service Fund—Deposits into Debt Service Fund. The Trustee shall deposit into the Debt Service Fund a portion of the proceeds of the Series 2026 Bonds for deposit in such Fund as may be required by the Indenture upon the delivery of the Series 2026 Bonds (see the caption "Sources and Uses of Funds" in the Official Statement) and all other amounts required or permitted under the Indenture to be deposited in the Debt Service Fund.

Payments by the SAU Board. On the Business Day prior to each Interest Payment Date, the SAU Board shall deposit into the Debt Service Fund from the Auxiliary Enterprises Revenues, as appropriate, an amount equal to the principal and interest due on the Series 2026 Bonds on such Interest Payment Date together with the fees and expenses of the Trustee. The required deposits shall be reduced by any amount in the Debt Service Fund available for meeting the purpose for which a deposit is required to be made, including amounts received as accrued interest upon delivery of a Series of Bonds.

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

(1) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with redemptions of Bonds;

(2) to the payment, when due, of the principal of or redemption premium on the Series 2026 Bonds then payable at maturity or upon redemption; and

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

Reserve Fund—Deposits into Reserve Fund. The Trustee shall initially deposit in the Reserve Fund an amount equal to the Series Required Reserve applicable to each series of the Series 2026 Bonds from the proceeds of the Series 2026 Bonds. Except as described below, in connection with the issuance of any Additional Bonds, the Series Required Reserve shall be recomputed for all Bonds then to be Outstanding, including the Additional Bonds then being issued, and any required increase in the amount on deposit in such Fund shall be funded at settlement for the Additional Bonds. The amount of any withdrawal for the purpose described in (1) below shall be restored by the SAU Board in no more than 12 substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal. In addition, if the fair market value of the investments in the Reserve Fund is less than the Series Required Reserve on all Bonds Outstanding on any valuation date in accordance with the provisions of the Indenture described at the caption “Investment or Deposit of Funds—Valuation of Funds” herein, the difference between such Series Required Reserve and the value of the Reserve Fund shall be restored by the SAU Board in no more than 6 equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the valuation revealing the deficiency is made. Upon the making of any monthly deposit to restore a withdrawal or deficiency, the SAU Board, at its cost, may direct the Trustee to recompute the value of the assets in the Reserve Fund, in which event the remaining amount to be restored, if any, after taking the new valuation into account shall be deposited in equal monthly installments over the balance of the restoration period.

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

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

(2) Upon delivery of an Officer’s Certificate of the SAU Board delivered to the Trustee, any amount in the Reserve Fund in excess of the Series Required Reserve on all Outstanding Bonds on any valuation date shall be (A) transferred to the Debt Service Fund and credited against the payments next becoming due (in direct order) under the Indenture in respect of the principal of or redemption premium, if any, or interest on the Series 2026 Bonds or any Additional Bonds, or (B) applied as may be specified in an Officer’s Certificate of the SAU Board if such Certificate is accompanied by an opinion of Bond Counsel to the effect that such application will not cause interest on any Series of Bonds to be includable in gross income for federal income tax purposes; and

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

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

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

(1) the credit facility (including any replacement credit facility) is issued by a bank, trust company, national banking association, or insurance company whose unsecured long term debt obligations (in the case of a bank, trust company, or national banking association) or whose claims paying abilities (in the case of an insurance company) are rated by a Rating Service, at the time the credit facility is issued and at the time of each extension or renewal thereof, in a rating category at least equal to the rating category assigned by such Rating Service to the Series 2026 Bonds at the Closing Date, determined without regard to credit enhancement, if applicable, but in no event lower than an “investment grade” rating category, or the Rating Service otherwise provides evidence to the Trustee that the credit facility shall not result in a decrease or withdrawal of the rating on the Series 2026 Bonds;

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

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

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

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

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

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

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

Rebate Fund. The SAU Board covenants to pay directly to the government of the United States of America all amounts due in respect of “arbitrage rebate” under section 148(f) of the Code with respect to the Series 2026 Bonds. Accordingly, no amounts shall be deposited in the Rebate Fund provided, however, that the SAU Board may in the future direct the Trustee to deposit in the Rebate Fund amounts for any or all Series of Bonds (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate) if (a) required under any amendments to section 148(f) of the Code, (b) the SAU Board fails to make any arbitrage rebate payments to the government of the United States of America, or (c) the SAU Board otherwise agrees that the funding of the Rebate Fund is desirable and appropriate. The Rebate Fund is a trust fund but amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under section 148 of the Code and to pay costs related to the calculation of the amounts due. Upon satisfaction of the SAU Board’s covenants described above, any amounts remaining in the Rebate Fund shall be applied in accordance with the Indenture and described at Appendix B—Summary of Portions of the Indenture—Funds and Accounts—Repayment to the SAU Board from Amounts Remaining in Any Funds herein.

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

Disposition of Unclaimed Funds. Notwithstanding any provisions of the Indenture, and subject to applicable unclaimed property laws, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of or redemption premium, if any, or interest on the Series 2026 Bonds remaining unclaimed for three years after the payment thereof: (a) shall be reported and disposed of by the Trustee in accordance with applicable unclaimed property laws; or (b) to the extent permitted by applicable law, shall be paid to the SAU Board, whereupon all liability of the SAU Board and the Trustee with respect to such money shall cease, and the holders of the Series 2026 Bonds shall thereafter look solely to the SAU Board for payment of any amounts then due. All moneys held by the Trustee or any Paying Agent and subject to the provisions of the Indenture described at this caption shall be held uninvested and without liability for interest thereon.

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

Investment or Deposit of Funds

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

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

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

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

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

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

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

(f) Unless otherwise provided in an applicable supplemental indenture, prior to the completion of the Series 2026 Project, investment income on amounts on deposit in the Reserve Fund and the Debt Service Fund shall be transferred to the Project Fund to the extent that no deficiency will exist in the Reserve Fund or the Debt Service Fund after such transfer or applied to such other purpose or purposes as directed by the SAU Board with an opinion of Bond Counsel that such application will not cause interest on the Series 2026 Bonds to be includable in gross income for federal income tax purposes.

After completion of the Project Series 2026 Project, investment income on amounts on deposit in the Reserve Fund shall be transferred to the Debt Service Fund to the extent that no deficiency will exist in the Debt Service Reserve Fund after such transfer. In all other situations, earnings from investment shall remain in the respective Fund where earned.

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

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

Covenants and Agreements of the SAU Board

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

Payment of Principal, Interest, and Redemption Premium. The SAU Board will pay all principal of and redemption premium, if any, and interest on the Series 2026 Bonds or cause them to be paid, solely from the sources provided in the Indenture, on the dates, at the places, and in the manner provided in the Indenture.

Recordings and Filings. At the expense of the SAU Board, the SAU Board will cause the Indenture, or any related instruments or documents relating to the assignment made by the SAU Board under the Indenture to secure the Series 2026 Bonds, to be recorded and filed in the manner and in the places which may be required by law in order to preserve and protect fully the security of the holders of the Series 2026 Bonds and the rights of the Trustee under the Indenture.

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

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

Board Not to Adversely Affect Exclusion from Gross Income of Interest on the Series 2026 Bonds.

The SAU Board covenants that it will take, or require to be taken, all actions that may be required of the SAU Board for the interest on the Series 2026 Bonds to be and remain excludable from the gross income for federal income tax purposes and will not take or authorize to be taken any actions that would adversely affect that exclusion under the provisions of the Code.

Events of Default and Remedies

See the caption “**Bond Insurance Provisions**” below regarding rights of AG to control declarations of default, acceleration of principal, remedies grace periods, subrogation and reimbursement with regard to the Series 2026 Bonds.

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

- (a) Default in the payment of any installment of interest on any Bond when it becomes due and payable;
- (b) Default in the payment of principal of (or redemption premium, if any, on) any Bond when it becomes due and payable;
- (c) Subject to the provisions of the Indenture regarding notice and opportunity to cure certain defaults (see the caption “Events of Default and Remedies—Notice and Opportunity to Cure Certain Defaults” herein), default in the performance or breach of any covenant, warranty, or representation of the SAU Board contained in the Indenture (other than a default described in under (a) and (b) above); or
- (d)(1) An Event of Bankruptcy of the SAU Board; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar official of the SAU Board or of any substantial portion of its property; or (3) the ordering of the winding up or liquidation of its affairs and the continuance of any such involuntary filing, appointment, or order unstayed and in effect for a period of 60 consecutive days.

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

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

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

(2) all Events of Default, other than the nonpayment of principal of and redemption premium, if any, and interest on the Series 2026 Bonds which have occasioned such acceleration, have been cured or waived.

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

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

Other Proceedings. Without limiting the generality of the foregoing, the Trustee shall at all times have the power to institute and maintain such proceedings as it may deem expedient: (1) to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture; and (2) to protect its interests and the interests of the Bondholders in the Trust Estate and in the issues, profits, revenues, and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule, or order which may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule, or order would impair the Trust Estate or be prejudicial to the interests of the Bondholders or the Trustee. The Trustee shall have the right of mandamus or other lawful remedy in any court of competent jurisdiction to enforce its rights and the rights of the holders of the Bonds against the SAU Board and any officers, agents, or employees of the SAU Board, including but not limited to the right to require the SAU Board and its officers, agents or employees to perform and observe all of its or their duties under Act.

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

Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding under the Bankruptcy Code relating to the SAU Board or any property of the SAU Board, the Trustee (whether or not the principal of the Series 2026 Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the SAU Board for the payment of overdue principal, redemption premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

(1) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of the Indenture and to file such other papers or documents as may be necessary or advisable in order to have the claims

of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents, and Counsel) and of the holders allowed in such proceeding; and

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

and any receiver, assignee, trustee, liquidator, sequestrator, or similar official in any such judicial proceeding is authorized by each holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents, and Counsel, and any other amounts due the Trustee under the Indenture regarding compensation and expenses of the Trustee (see the caption “The Trustee—Compensation and Expenses of the Trustee” herein).

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

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

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

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

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

(2) second, to the payment of all installments of interest on the Bonds then due and payable in the order in which such installments became due and payable, and, if the amount available shall not be

sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installments, without discrimination or preference; and

(3) third, to the payment of the unpaid principal amount of any of the Bonds which shall have become due and payable, in the order of due dates (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest upon the principal amount of the Bonds from the respective dates upon which they shall have become due and payable, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular due date, together with such interest, then to the payment first of such interest, ratably, according to the amount of principal due on such date, without any discrimination or preference.

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

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

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

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

indemnity; and (5) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The provisions of the Indenture described above are conditions precedent to the exercise by any Bondholder of any remedy under the Indenture. The exercise of such rights is further subject to the provisions of the Indenture described at the captions “Events of Default and Remedies—Bondholders May Direct Proceedings,” “Unconditional Right of Bondholder to Receive Payment,” and “Delay or Omission Not Waiver” herein. No one or more Bondholders shall have any right in any manner whatever to enforce any right under the Indenture, except in the manner provided in the Indenture. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner provided in the Indenture for the equal and ratable benefit of the Bondholders of all Bonds Outstanding.

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

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

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

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

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

Notwithstanding any provision of the Indenture, in no event shall any Person, other than all of the affected Bondholders, have the ability to waive any Event of Default under the Indenture if such event results or may result, in the opinion of Bond Counsel, in interest on any of the Series 2026 Bonds becoming includable in gross income for federal income tax purposes.

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

Consent of AG Upon Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, AG shall be entitled to control and direct the enforcement of all rights and remedies granted to the Series 2026 Bond holders or the Trustee for the benefit of the Series 2026 Bond holders under the Indenture, including, without limitation: (i) the right to accelerate the principal of the Series 2026 Bonds and (ii) the right to annul any declaration of acceleration, and AG shall also be entitled to approve on behalf of the holders of the Series 2026 Bonds, all waivers of events of default.

The Trustee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trustee Not Responsible for Recitals. The recitals contained in the Indenture and in the Series 2026 Bonds (other than the certificate of authentication on the Series 2026 Bonds) are statements of the SAU Board and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition, or sufficiency of any assets pledged or assigned as security for the Series 2026 Bonds, the right, title, or interest of the SAU Board therein, the security provided thereby or by the Indenture, the technical or financial feasibility of the Series 2026 Project, the compliance of the Series 2026 Project with the Act, or the tax-exempt status of the Series 2026 Bonds. The Trustee is not accountable for the use or application by the SAU Board of any of the Series 2026 Bonds or the proceeds of the Series 2026 Bonds or for the use or application of any moneys paid over by the Trustee in accordance with any provision of the Indenture.

Trustee May Own Bonds. The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold, and deal in any of the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction

with the SAU Board and may act as depository, trustee, or agent for any committee of Bondholders secured by the Indenture or other obligations of the SAU Board as freely as if it were not Trustee.

Compensation and Expenses of the Trustee. The SAU Board covenants and agrees:

(a) to pay to the Trustee compensation for all services rendered by it under the Indenture and under the other agreements relating to the Series 2026 Bonds to which the Trustee is a party in accordance with terms agreed to from time to time and, subsequent to default, in accordance with the Trustee's then-current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a trustee of an express trust);

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

(c) to indemnify, defend, and hold the Trustee harmless from and against any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the office of Trustee under the Indenture, including the costs of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture or thereunder.

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

As security for the performance of the obligations of the SAU Board under the Indenture and described at this caption, the Trustee shall have a lien, which it may exercise through a right of setoff, prior to the Series 2026 Bonds upon all property or funds held or collected by the Trustee pursuant to the Indenture (other than moneys in the Rebate Fund) for the payment of principal of and redemption premium, if any, and interest on the Series 2026 Bonds. The obligations of the SAU Board to make the payments described in this caption shall survive discharge of the Indenture and payment in full of the Series 2026 Bonds.

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

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

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

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

If at any time: (1) the Trustee shall cease to be eligible and qualified under the Indenture (see the caption “The Trustee—Qualifications of Trustee” herein) and shall fail or refuse to resign after written request to do so by the SAU Board or the holder of any Bond or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property, or affairs for the purpose of rehabilitation, conservation, or liquidation, then in either such case (A) the SAU Board may remove the Trustee and appoint a successor Trustee in accordance with the provisions of the Indenture described above; or (B) any holder of a Bond then Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

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

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

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

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

Defeasance

Defeasance. If (a) the principal of any Series of Bonds and the interest due or to become due thereon together with any redemption premium required by redemption of any of the Series 2026 Bonds prior to maturity shall be paid, or is caused to be paid, or is provided for under the provisions of the Indenture regarding deposit of funds for payment of Bonds (see the caption “Defeasance—Deposit of Funds for Payment of Bonds” herein), at the times and in the manner to which reference is made in the Series 2026 Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with the provisions of the Indenture regarding defeasance, and (b) all of the covenants, agreements, obligations, terms, and conditions of the SAU Board under the Indenture shall have been kept, performed, and observed and there shall have been paid to the Trustee, the Bond Registrar, and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Indenture, then the right, title, and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on request of the SAU Board and at the expense of the SAU Board, shall release the Indenture and the Trust Estate and shall execute such documents to evidence such release as may be reasonably required by the SAU Board and shall turn over to the SAU Board, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds under the Indenture except for amounts required to pay such Bonds or held pursuant to the provisions of the Indenture regarding unclaimed funds See the caption “Funds and Accounts—Disposition of Unclaimed Funds” herein.

Deposit of Funds for Payment of Bonds. If the SAU Board deposits with the Trustee moneys or Defeasance Obligations which, together with the earnings thereon, are sufficient to pay the principal of or redemption premium on any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date or Redemption Date, and pays or makes provision for payment of all fees, costs, and expenses of the SAU Board and the Trustee due or to become due with respect to such Bonds, all liability of the SAU Board with respect to such Bond or Bonds shall cease, such Bond or Bonds shall be deemed not to be Outstanding under the Indenture, the holder or holders of such Bond or Bonds shall be restricted exclusively to the moneys or Defeasance Obligations so deposited, together with the earnings thereon, for any claim of whatsoever nature with respect to such Bond or Bonds, and the Trustee shall hold such moneys, Defeasance Obligations, and earnings in trust for such holder or holders. In determining the sufficiency of the moneys and Defeasance Obligations deposited as described at this caption, together with the earnings thereon, the Trustee shall be entitled to receive, at the expense of the SAU Board, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in the provisions of the Indenture regarding defeasance have been satisfied and (2) that defeasance of the Series 2026 Bonds will not affect the tax-exempt status of the Series 2026 Bonds. Upon such defeasance all rights of the SAU Board, including its right to provide for optional redemption of Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee.

Notice of Defeasance. In case any of the Series 2026 Bonds, for the payment of which moneys or Defeasance Obligations have been deposited with the Trustee pursuant to the Indenture regarding deposit of funds for payment of Bonds (see the caption “Defeasance—Deposit of Funds for Payment of Bonds” herein), are to be redeemed on any date prior to their maturity, the SAU Board shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on the redemption date for such Bonds as provided in the Indenture. See the caption “The Series 2026 Bonds—Notice of Redemption” in the Official Statement.

In addition to the foregoing notice, in the event such Bonds to be redeemed are not by their terms subject to redemption within the next succeeding 65 days, the Trustee shall give further notice that the deposit required by the provisions of the Indenture regarding deposit of funds for payment of Bonds (see the caption “Defeasance—Deposit of Funds for Payment of Bonds” herein) has been made with the Trustee

and that said Bonds are deemed to have been paid in accordance with the provisions of the Indenture regarding defeasance and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and redemption premium, if any, on said Bonds; such further notice shall be given promptly following the making of the deposit required by the provisions of the Indenture regarding defeasance and described at the captions “Defeasance—Defeasance” and “Deposit of Funds for Payment of Bonds” herein; and such further notice shall be given in the manner set forth in the Indenture and described in (b) at the caption “The Series 2026 Bonds—Notice of Redemption” in the Official Statement; but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of the deposit.

If the SAU Board has retained any rights to provide for optional redemption of Bonds on dates other than planned pursuant to a defeasance pursuant to the provisions of the Indenture described at the caption “Defeasance—Deposit of Funds for Payment of Bonds” herein, notice thereof shall be sent to Bondholders of such Bonds as soon as practicable and not later than any notice required by the Indenture and described above.

Rights of AG Regarding Defeasance. Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Series 2026 Bonds shall be paid by AG pursuant to the Municipal Bond Insurance Policy, the Series 2026 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements, and other obligations of the Issuer to the registered owners of the Series 2026 Bonds shall continue to exist and shall run to the benefit of AG and AG shall be subrogated to the rights of such registered owners.

Supplemental Indentures

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

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

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

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

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

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

(f) make any other change in the Indenture which is determined by the Trustee to be not materially adverse to the interests of the Bondholders and which does not involve a change described in the Indenture regarding supplemental Indenture requiring Bondholders’ consent (see the caption

“Supplemental Indenture and Amendments—Supplemental Indenture Requiring Bondholders’ Consent” herein);

(g) implement the issuance of Additional Bonds as provided by the provisions of the Indenture described at the caption “The Series 2026 Bonds—Additional Bonds” in the Official Statement; or

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

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

Supplemental Indenture Requiring Bondholders’ Consent. The SAU Board and the Trustee, at any time and from time to time, may execute and deliver a supplemental indenture for the purpose of making any modification or amendment to the Indenture, but only with the written consent, given as provided in the Indenture and described at the caption “Supplemental Indenture and Amendments—Consents of Bondholders and Opinions” herein, of the holders of at least two-thirds in aggregate principal amount of the Series 2026 Bonds Outstanding at the time such consent is given, and in case less than all of the Series 2026 Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in aggregate principal amount of the Series 2026 Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. Notwithstanding the foregoing, no modification or amendment contained in any such supplemental indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon; (b) a reduction in the principal amount of or redemption premium on any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the Trust Estate or the money or assets pledged under the Indenture, or any part thereof; (d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; (e) a reduction in the aggregate principal amount of Bonds of which the consent of the Bondholders is required to effect any such modification or amendment; or (f) a change in the provisions of the provisions of the Indenture regarding waiver of defaults (see the caption “Events of Default and Remedies—Waiver of Defaults” herein). Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on the Series 2026 Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Consents of Bondholders and Opinions. Each supplemental indenture executed and delivered pursuant to the provisions of the Indenture regarding supplemental Indenture requiring Bondholders’ consent (see the caption “Supplemental Indenture and Amendments—Supplemental Indenture Requiring Bondholders’ Consent” herein) shall take effect only when and as provided in the Indenture and described at this caption. A copy of such supplemental indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Bondholders, at the expense of the SAU Board, by first class mail, postage prepaid, provided that a failure to mail such request shall not affect the validity of the supplemental indenture when consented to as provided in the Indenture. Such supplemental indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Bondholders of the percentage of Bonds specified in the Indenture regarding supplemental Indenture requiring Bondholders’ consent (see the caption “Supplemental Indenture and Amendments—Supplemental Indenture Requiring Bondholders’ Consent” herein) given as provided in the Indenture and

described at the caption “Miscellaneous provisions—Consent of Holders” herein, and (b) the opinion of Counsel described in the Indenture and described at the caption “Supplemental Indenture and Amendments—Reliance Upon Counsel’s Opinion with Respect to Supplemental Indenture” herein. Any such consent shall be binding upon the Bondholder giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Bondholder has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent holder of such Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in the Indenture and described in (a) and (b) at this caption.

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

Exclusion of Certain Bonds. Bonds owned or held by or for the account of the SAU Board shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the provisions of the Indenture regarding supplemental Indenture and amendments, and the SAU Board shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the provisions of the Indenture regarding supplemental Indenture and amendments or elsewhere in the Indenture. At the time of any consent or other action taken under the provisions of the Indenture regarding supplemental Indenture and amendments or elsewhere in the Indenture, the SAU Board shall furnish the Trustee an Officer’s Certificate of the SAU Board, upon which the Trustee may rely, describing all Bonds so to be excluded.

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

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

Effect of Supplemental Indenture. Upon the execution of any supplemental indenture under the provisions of the Indenture regarding supplemental Indenture and amendments, the Indenture shall be modified in accordance therewith; such supplemental indenture shall form a part of the Indenture for all

purposes; and every holder of any Bond theretofore or thereafter authenticated and delivered under the Indenture shall be bound thereby.

Consent of Holders

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

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

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

Bond Insurance Provisions.

Consistent with the terms of the Municipal Bond Insurance Policy, the Indenture, as supplemented with respect to the issuance of the Series 2026 Bonds, contains certain provisions which address the rights of AG. Some of the provisions involve the following:

(a) AG is given rights to control remedies, grace periods, declarations of default, acceleration of principal, subrogation and reimbursement;

(b) Additional approvals and notices are reserved or given to AG, including conditions to amendments in the Indenture, resignation of the Trustee, documents required for the defeasance of the Series 2026 Bonds and financial information or reports; and

(c) Specifying the procedure for the Trustee to make claims under the Municipal Bond Insurance Policy.

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APPENDIX C

Proposed Form of Continuing Disclosure Agreement

This Continuing Disclosure Agreement dated as of May 28, 2026 (the “Agreement”) is executed and delivered by the Board of Trustees of Southern Arkansas University (the “SAU Board”), in connection with the issuance by the SAU Board of its [\$____,____,000] Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2026 (the “Series 2026 Bonds”) and for the benefit of the Beneficial Owners (as defined below). The Series 2026 Bonds are being issued pursuant to a Trust Indenture (the “Indenture”), between the SAU Board and Community First Trust Company, Hot Springs, Arkansas, as trustee (the “Trustee”). Pursuant to Rule 15c2-12(b)(5) (17 C.F.R. § 240.15c2-12) (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “1934 Act”), the SAU Board covenants and agree as follows:

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

“Annual Report” means the Annual Report provided by the SAU Board, as described hereinafter under the subheading “Provision of Annual Reports.”

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

“Dissemination Agent” means the SAU Board acting in its capacity as Dissemination Agent hereunder, or any initial or successor Dissemination Agent designated in writing by the SAU Board.

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

“Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii).

“Fiscal Year” means any period of 12 consecutive months adopted by the SAU Board as its fiscal year for financial reporting purposes.

“GAAP” means generally accepted accounting principles.

“GASB” means the Governmental Accounting Standards Board.

“Insurer” shall mean Assured Guaranty Inc. issuer of a municipal bond insurance policy or policies on the payment of the principal of and interest on the Bonds.

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (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; and
- (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.

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

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

“Obligated Person” means the SAU Board.

“Official Statement” means the SAU Board’s Official Statement, dated [____], 2026, relating to the Series 2026 Bonds, as the same may be amended or supplemented.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2026 Bonds required to comply with the Rule in connection with offering of the Series 2026 Bonds.

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

“SAU” or the “University” means the Magnolia, Arkansas campus of the Southern Arkansas University.

“SAU Board” or “Issuer” means the Board of Directors of Southern Arkansas University.

“State” means the State of Arkansas.

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

(a) This Agreement is being executed and delivered by the SAU Board and the Trustee for the benefit of the Beneficial Owners of the Series 2026 Bonds and in order to assist the Participating Underwriters in complying with, and constitutes the written undertaking for the Beneficial Owners required by, the Rule.

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

(c) In consideration of the purchase and acceptance of any and all of the Series 2026 Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Agreement shall be deemed to be and shall constitute a contract among the SAU Board, the Trustee, and the Beneficial Owners from time to time of the Series 2026 Bonds; and the covenants and agreements set forth in this Agreement to be performed on behalf of the SAU Board and the Trustee shall be for the benefit of the Beneficial Owners of any and all of the Series 2026 Bonds.

Section 3. Provision of Annual Reports.

- (a) The SAU Board shall, or shall cause the Dissemination Agent to, on or before each Report Date, commencing with the Fiscal Year ended June 30, 2026, to the Insurer and MSRB through EMMA or any similar system acceptable to the SEC an Annual Report which is consistent with the requirements of this Agreement.
- (b) Not later than fifteen (15) business days prior to said the Report Date, the SAU Board shall provide the Annual Report to the Dissemination Agent and the Trustee (if the SAU Board is not the Dissemination Agent). Annual Reports may be submitted as single documents or as separate documents comprising a package, and may cross-reference other information; provided that the annual financial statements of the SAU Board may be submitted separately from the balance of the Annual Report and later than the Report Date if they are not available by that date but shall be submitted within 60 days after receipt by the SAU Board. The Annual Report shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Should the SAU Board establish a customized EMMA issuer page, and Annual Reports and audited financial statements be posted accordingly within the time-period set forth above, the SAU Board shall be deemed to have complied with this paragraph.
- (c) If the SAU Board is not serving as Dissemination Agent and if the Dissemination Agent is unable to verify that an Annual Report (containing the information required in (1) of Section 4 of this Disclosure Agreement) has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall file a notice with the MSRB and with the Insurer.

Section 4. Content of Annual Reports.

The Annual Report shall contain or include by reference the following:

- (a) Information of the type set forth in the Official Statement under the captions **SECURITY FOR THE SERIES 2026 BONDS, Auxiliary Enterprises Revenues** and **SOUTHERN ARKANSAS UNIVERSITY Enrollment** as set forth in the form of certificate in Exhibit A.
- (b) The annual audited financial statements of the SAU Board and, if issued, the audited financial statements of SAU each prepared in accordance with governmental accounting standards and applicable state law.

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 SAU Board is an Obligated Person which have been submitted to the MSRB’s internet website and filed with the Securities and Exchange

Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The SAU Board shall clearly identify each other document so included by reference.

The Dissemination Agent shall file a report to be maintained by the SAU Board certifying that the Annual Report has been provided pursuant to this Agreement and stating the date it was provided. If the SAU Board is not serving as Dissemination Agent, and if the Dissemination Agent does not receive the Annual Report, the Dissemination Agent shall, without further direction or instruction from the SAU Board, provide in a timely manner to the MSRB notice of any failure by the SAU Board to provide to the Dissemination Agent Annual Report on or before the Report Date.

Section 5. Reporting of Listed Events.

(a) If a Listed Event occurs the SAU Board shall provide, or shall cause to be provided by the Trustee, a Listed Event Notice, in a timely manner not in excess of 10 Business Days after the occurrence of such Listed Event, to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.org> or any other similar system that is acceptable to the SEC with a copy to the Insurer and Trustee. Each notice of the occurrence of a Listed Event shall be captioned “Notice of Listed Event” and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 6. Termination of Reporting Obligation. The obligations of the SAU Board under this Agreement with respect to the Series 2026 Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all the Series 2026 Bonds. If such termination occurs prior to the final maturity of the Series 2026 Bonds, the SAU Board shall give notice of such termination or substitution in the same manner as for a Listed Event.

Section 7. Dissemination Agent.

(a) The SAU Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the SAU Board pursuant to this Agreement. If at any time there is not any other designated Dissemination Agent, the SAU Board shall be the Dissemination Agent. The SAU Board has designated Stephens Inc. as the initial Dissemination Agent.

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the SAU Board may amend this Agreement, and any provision of this Agreement may be waived by the parties hereto, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the SAU Board shall have provided notice of such delivery and of the amendment to the MSRB. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

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

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

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

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

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

Section 10. Default. In the event of a failure of the SAU Board or the Dissemination Agent (if the SAU Board is not the Dissemination Agent) to comply with any provision of this Agreement, any Beneficial Owner, the Insurer, the Participating Underwriter (and the Trustee, at the request of the Underwriter, the Insurer or the Beneficial Owners of at least 25% of the Series 2026 Bonds), may seek mandate or specific performance by court order to cause the SAU Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of an “Event of Default” shall not apply to any such failure. The SAU Board shall not be liable for any breach of its obligations under this Section unless such breach is the result of willful or reckless actions or omissions. The sole remedy under this Agreement in the event of any failure of the SAU Board or the Dissemination Agent to comply with this Agreement shall be an action to compel performance and the SAU Board, its members, officers and employees shall incur no liability under this Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this Section shall entitle any person to attorney’s fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

Section 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the SAU Board agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys’ fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s negligence or willful misconduct. The obligations of the SAU Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2026 Bonds.

Section 12. Beneficiaries. This Agreement shall inure solely to the benefit of the SAU Board, the Insurer, the Dissemination Agent, the Participating Underwriter, and the Beneficial Owners from time to time of the Series 2026 Bonds or any interest therein, and shall create no rights in any other person or entity.

Section 13. Interpretation. It being the intention of the parties that there be full and complete compliance with the Rule, this Agreement shall be construed in accordance with the written interpretative guidance and no-action letters published from time to time by the SEC and its staff with respect to the Rule.

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

Section 15. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Arkansas, provided that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

[Signature pages follow]

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

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

By: _____
Dr. Bruno Hicks, President

Exhibit A to Continuing Disclosure Agreement

Board of Trustees of Southern Arkansas University

100 E. University
Magnolia, Arkansas 71753-5000
Phone: (870) 235-4000

Annual Report

For the Reporting Period Ending June 30, 20__

regarding

\$_____ Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2026

[Add the identification of other reportable Auxiliary Enterprise Secured Bonds]

Date: _____

Enrollment

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

Fiscal Year	20__-__	20__-__	20__-__	20__-__	20__-__
Second Summer					
Fall					
Spring					
First Summer					
Total Annualized					

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

Fiscal Year	20__-__	20__-__	20__-__	20__-__	20__-__
Second Summer					
Fall					
Spring					
First Summer					
Total Annualized					

The following table sets forth the calculation of Auxiliary Enterprises Revenues for the reporting period fiscal year is as follows: ⁽¹⁾.

Auxiliary Enterprises Revenues For Fiscal Year Ending June 30, 20__ ⁽¹⁾

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

⁽³⁾ Unaudited,

⁽⁴⁾ Other Auxiliary Units include Post Office, Student Organizations, and Student Publications

For the preceding three Fiscal Years, net revenues of the housing system and other auxiliary enterprise operations of the SAU Board at its main campus in Magnolia, Arkansas, have equaled the following:

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

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

	Fiscal Year				
	20__/20__	20__/20__	20__/20__	20__/20__	20__/20__
Residence Halls					
Traditional:					
Bussey Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Greene Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Harrod Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Honors Hall South *	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Talbot Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Talley Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Suite-style:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fincher Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Honors Hall North	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Mallory Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Hybrid-style:					
Columbia Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Magnolia Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Arkansas Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Eichenberger Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Burns Harsh Hall	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Apartments:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
University Court (per bed)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2 bdrm / 9 month lease	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2 bdrm / 12 month lease	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2 bdrm Early (12 in 9)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
University Village (per bed)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2 bdrm / 9 month lease	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2 bdrm /12 month lease	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2 bdrm Early (12 in 9)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
4 bdrm / 9 month lease	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
4 bdrm /12 month lease	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
4 bdrm Early (12 in 9)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Audited Financial Statements of the Southern Arkansas University Board of Trustees for the Fiscal Year ended: June 30, 20__

[The audits of the Southern Arkansas Board of Trustees Financial statements for fiscal year ended June 30, 20__ was previously filed on the EMMA System.]

Certificate

The undersigned duly authorized to act on behalf of Southern Arkansas University, hereby certifies that the matters set forth herein are true and correct, to the best of his/her knowledge and belief, as of the date set forth on the cover.

Southern Arkansas University

by: _____

Vice President for Finance and Administration

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2026 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2026 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 Series 2026 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026 Bonds, such as redemptions, tenders, defaults, and proposed amendments to documents relating to the Series 2026 Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notice be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Trustee or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Trustee, Board, or Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Board, Trustee, or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to Board or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

[The balance of this page left blank intentionally.]

APPENDIX E
SOUTHERN ARKANSAS UNIVERSITY
FISCAL YEAR 2024 AUDITED FINANCIAL REPORT

Southern Arkansas University

Magnolia, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2024

LEGISLATIVE JOINT AUDITING COMMITTEE



SOUTHERN ARKANSAS UNIVERSITY
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Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Southern Arkansas University
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Southern Arkansas University (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Southern Arkansas University Foundation, Inc. (Foundation) and the Southern Arkansas University Alumni Association, Inc. (Alumni Association), which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and Alumni Association, is based solely on the reports of the other auditors. The financial statements of the Foundation and Alumni Association were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 21, Southern Arkansas University is one of two campuses of the Southern Arkansas University System. The other campus, Southern Arkansas University Tech, issues separate financial statements, which are included in a separately issued audit report. Our opinion for Southern Arkansas University is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-14, 55, and 56-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Selected Information for the Last Five Years (Schedule 1) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's 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 the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Kevin White", with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
October 23, 2025
EDHE10524

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Southern Arkansas University
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component units of the Southern Arkansas University (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 23, 2025. Our report includes a reference to other auditors who audited the financial statements of the Southern Arkansas University Foundation Inc. (Foundation) and the Southern Arkansas University Alumni Association, Inc. (Alumni Association), as described in our report on the University's financial statements. The financial statements of the Foundation and Alumni Association were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation and Alumni Association or that are reported on separately by those auditors who audited the financial statements of the Foundation and Alumni Association.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

We noted a certain matter that we reported to management of the University in a separate letter dated October 23, 2025.

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 the University'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.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in dark ink that reads "Matt Fink". The signature is written in a cursive, slightly slanted style.

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
October 23, 2025

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Southern Arkansas University
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2024, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u>	<u>Fall Term</u>	<u>Spring Term</u>	<u>Summer I Term</u>
	<u>2023</u>	<u>2023</u>	<u>2024</u>	<u>2024</u>
Student Headcount	981	5,141	4,588	1,498
Student Semester				
Credit Hours	4,063	57,377	50,799	7,287

During our review, nothing came to our attention that would cause us to believe that the student enrollment data was not substantially correct.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the governing board, University management, state executive and oversight management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

Matt Fink

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
October 23, 2025

SOUTHERN ARKANSAS UNIVERSITY

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements and Financial Analysis

Southern Arkansas University is pleased to present its financial statements for the fiscal year ended June 30, 2024, with fiscal year ended June 30, 2023, data presented for comparative purposes. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year ended June 30, 2024, as required by GASB. There are three financial statements presented: Statement of Net Position; the Statement of Revenue, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the assets, deferred resources, liabilities, and net position of the University as of June 30, 2024. This statement presents to the readers a fiscal snapshot of the year-end balances that were a result of the transactions posted during the fiscal year from July 1, 2023 through June 30, 2024.

This statement also serves as a starting point for transactions that will occur for the next fiscal period. The assets and liabilities are broken down into current and non-current sections to provide information relative to the time required in converting non-cash assets to cash or cash equivalents or that may require the use of cash. The deferred resources indicate the amortized debt defeasance, pension resources, and other post-employment benefits. The net position is the difference between assets, deferred resources, and liabilities. The readers of the *Statement of Net Position* are able to determine the assets available to continue the operations of the institution and how much the institution owes vendors, lending institutions and investors for the bonds of the University.

Net Position is divided in three major categories. *Invested in capital assets, net of related debt*, provides the institution's equity in property, plant and equipment owned by the institution. *Restricted net position*, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. Expendable restricted assets are available for expenditure by the institution but must be spent for purposes as determined by donors and /or external entities that have placed time or purpose restrictions on the use of the assets. *Unrestricted net position* is available to the institution for any lawful purpose of the institution.

SOUTHERN ARKANSAS UNIVERSITY

Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)

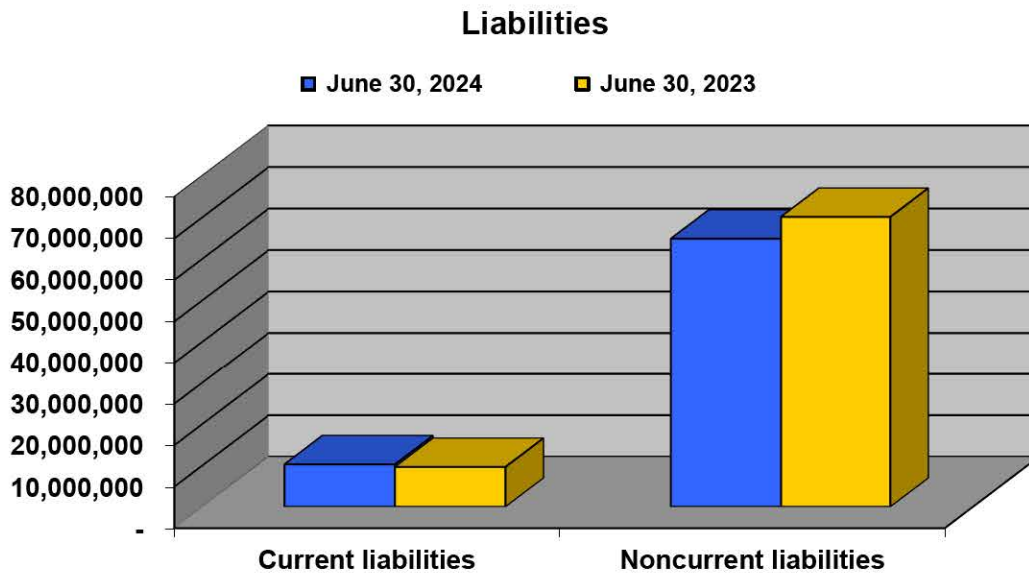
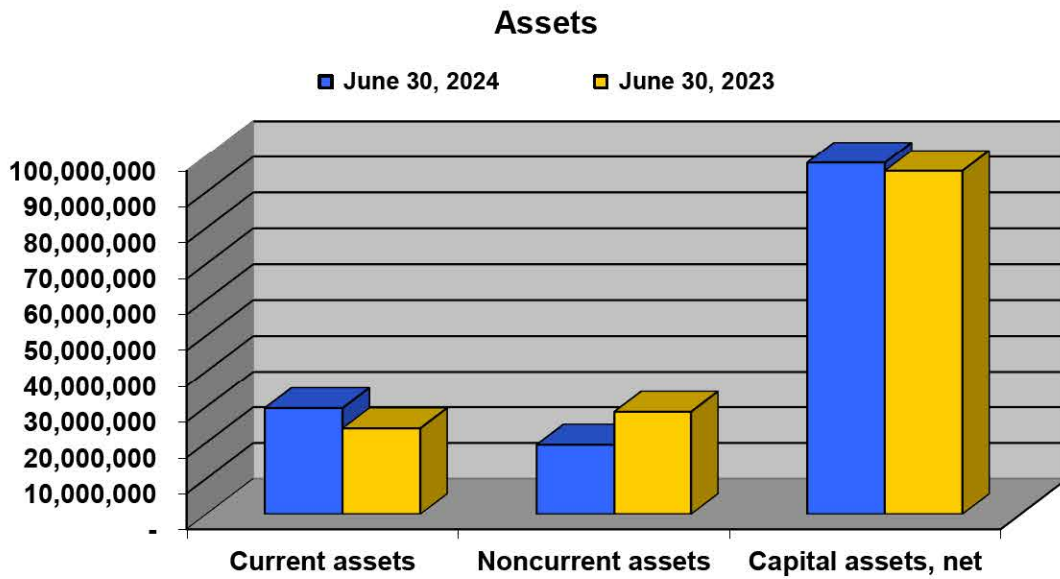
Statement of Net Position

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Assets:		
Current assets	\$ 29,534,552	\$ 23,880,778
Noncurrent assets	19,315,007	28,495,968
Capital assets, net	98,155,538	95,840,977
Total Assets	<u>147,005,097</u>	<u>148,217,723</u>
Deferred Outflows of Resources:		
Pensions and OPEB	2,601,062	3,111,142
Deferral on debt defeasance	688,814	750,445
Total Deferred Outflows of Resources	<u>3,289,876</u>	<u>3,861,587</u>
Liabilities:		
Current liabilities	10,208,733	9,575,591
Noncurrent liabilities	65,160,463	70,024,793
Total Liabilities	<u>75,369,196</u>	<u>79,600,384</u>
Deferred Inflows of Resources:		
Pensions and OPEB	2,986,443	2,209,017
Total Deferred Inflows of Resources	<u>2,986,443</u>	<u>2,209,017</u>
Net Position:		
Invested in capital assets, net	39,061,088	33,470,117
Restricted-expendable	75,304	5,419,796
Restricted-nonexpendable	5,511,551	138,118
Unrestricted	27,291,391	31,241,878
Total Net Position	<u>\$ 71,939,334</u>	<u>\$ 70,269,909</u>

SOUTHERN ARKANSAS UNIVERSITY

Management's Discussion and Analysis (Unaudited)

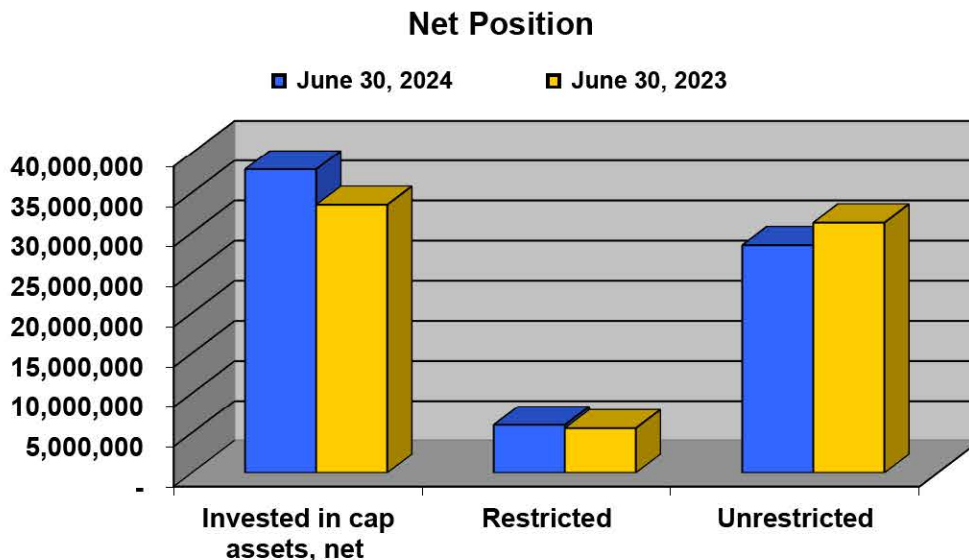
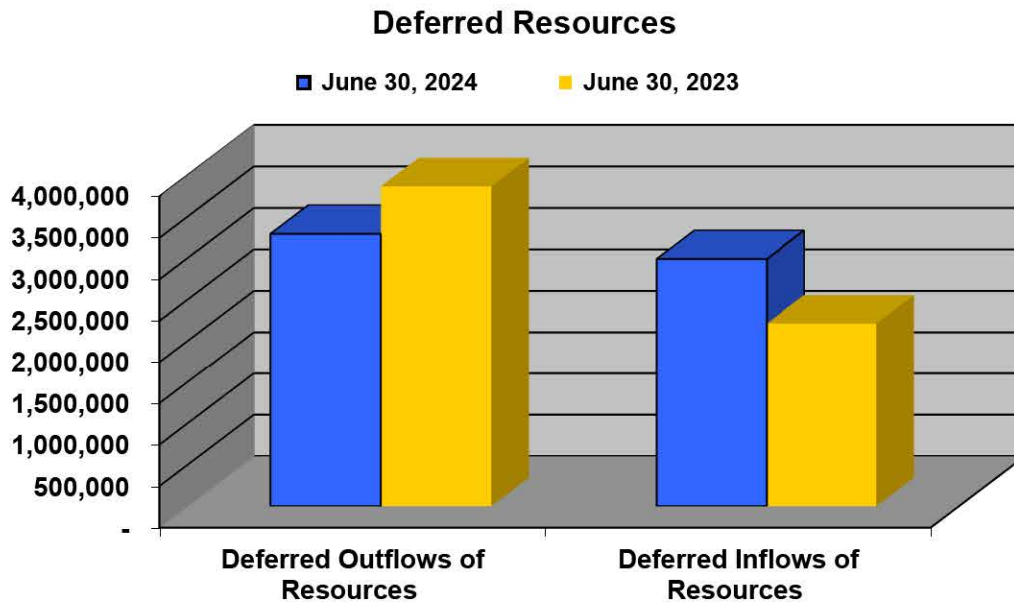
Statement of Net Position (Continued)



SOUTHERN ARKANSAS UNIVERSITY

Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)



A review of the Statement of Net Position shows the total assets of the University decreased by \$1,212,626. Cash and cash equivalents, both current and noncurrent, showed a net decrease of \$5,876,730. Accounts receivable increased by \$2,455,440. Capital assets increased by \$2,314,561, reflecting current year improvements offset by depreciation. Other asset categories showed minor changes resulting in a net decrease of \$105,897.

Total deferred outflows of resources decreased by \$571,711. Outflows related to pensions decreased by \$767,701, and outflows related to other post-employment benefits increased \$257,621. These items reflect the change in actuarial values from the prior year. The remaining category of outflows related to debt defeasance decreased by \$61,631.

Total liabilities decreased by \$4,231,188. The current actuarial reports resulted in a decrease in net pension liability of \$2,107,011 and a decrease in OPEB liability of \$90,347. Debt and interest payable decreased by \$2,366,119 with the current scheduled payments. Accounts payable showed increase of \$733,958. Unearned revenue decreased by \$376,356 due to the timing of student revenue recognition. Refundable advances decreased by \$62,422 as the university liquidated its Perkins loans. Other categories increased by \$37,109.

SOUTHERN ARKANSAS UNIVERSITY

Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)

Total deferred inflows of resources increased by \$777,426. Inflows related to pensions increased by \$888,384 and Inflows related to other post-employment benefits decreased by \$110,958. Both items reflect the change in actuarial values from the prior year.

The decrease in total assets of \$1,212,626 and the decrease in deferred outflows of resources of \$571,711 are combined with the decrease in total liabilities of \$4,231,188 and the increase in deferred inflows of resources of \$777,426 to reflect an overall increase in total net position of \$1,669,425.

Statement of Revenues, Expenses, and Changes in Net Position

The changes in total net position as presented on the *Statement of Net Position* are based on the activity presented in the *Statement of Revenues, Expenses, and Changes in Net Position*. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the institution.

The operating revenues are generally received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce goods and services in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, the Governmental Accounting and Standards Board (GASB) considers state appropriations as non-operating revenues because the revenue is provided by the legislature to the institution without the legislature directly receiving commensurate goods and services.

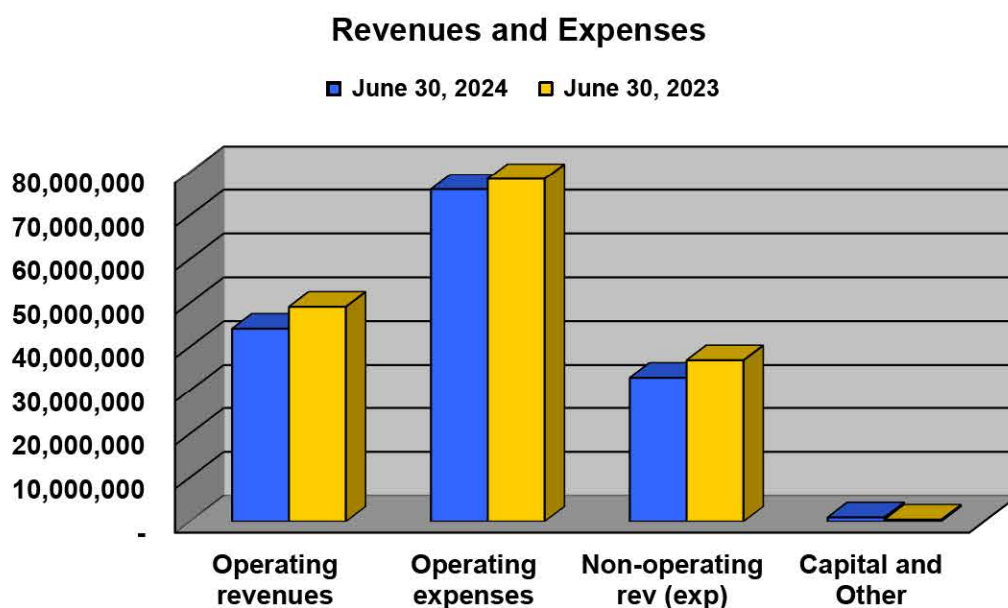
Statement of Revenues, Expenses, and Changes in Net Position

	<u>For the Year Ended</u>	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Operating revenues	\$ 44,162,162	\$ 49,160,188
Operating expenses	76,008,911	78,413,964
Operating loss	(31,846,749)	(29,253,776)
Non-operating revenues (expenses)	32,576,489	36,962,818
Income (loss) before other revenues, expenses, gains or losses	729,740	7,709,042
Capital appropriations	391,009	-
Capital gifts and grants	161,568	93,480
Donated assets	387,108	331,429
Net increase (decrease) in net position	1,669,425	8,133,951
Net position at beginning of year	70,269,909	62,135,958
Net position at end of year	\$ 71,939,334	\$ 70,269,909

SOUTHERN ARKANSAS UNIVERSITY

Management's Discussion and Analysis (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (Continued)



A review of the *Statement of Revenues, Expenses, and Changes in Net Position* will reveal the effects of revenues and expenses on the net position at the end of the year. Highlighted information presented on the statement is as follows:

- ◆ Undergraduate in-state tuition increased by \$6 per credit hour, and mandatory fees rose by \$2 per credit hour, resulting in a 2.51% overall adjustment in tuition and fee rates for the year. While undergraduate enrollment remained stable, a decline in non-core international enrollments led to a \$4.37 million reduction in net tuition and fee revenue.
- ◆ Federal grants and contracts revenue, both operating and nonoperating, decreased by \$5,283,200, primarily due to the timing of recognition of HEERF funds.
- ◆ Other operating revenues decreased by \$335,068 due to one-time, prior-year receipts from FCC license sales.
- ◆ Personal services increased by \$649,437, reflecting adjustments to positions and fringe benefits necessary to meet market and operational demands.
- ◆ Supplies and other services decreased by \$753,287 as a result of end of year transfers to plant maintenance.
- ◆ Scholarships and fellowships decreased by \$2,775,930 as a result of awarding prior year HEERF stimulus funds to students.
- ◆ State appropriations decreased by \$202,235 due to the performance-based funding model for higher education.
- ◆ Investment income increased by \$299,746, attributable to favorable interest rates and realized gains on investments.
- ◆ Other nonoperating revenue increased by \$72,564 as the university liquidated its Perkins loans.
- ◆ Capital appropriations increased by \$391,009. Capital gifts and grants increased by \$68,088. These changes are due to the one-time nature of general improvement funds awarded.
- ◆ Donated assets reported for the fiscal year resulted in an increase of \$55,679.
- ◆ Changes in other categories showed a decrease of \$41,126.

SOUTHERN ARKANSAS UNIVERSITY

Management's Discussion and Analysis (Unaudited)

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five sections. *Operating Cash Flows* provides detail of the operating cash flows and the net cash used by operating activities of the institution. *Non-capital financing activities* reflect cash received and spent for non-operating financing activities. *Capital and related financing activities* provide specific information on the cash used for the acquisition and construction of capital and related items. *Cash flows from investing activities* indicate the purchases, proceeds, and interest received from investing activities. The last section reconciles the net cash used to the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position*.

Capital Assets and Debt Administration

The University had \$98,155,538 invested in capital assets, net of accumulated depreciation of \$91,656,152 at June 30, 2024. Depreciation expense totals \$4,211,908 for the current fiscal year. Details of these assets, net of accumulated depreciation, are shown below.

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Land and mineral rights	2,033,244	2,033,244
Construction in progress	4,209,365	154,366
Infrastructure and other improvements	18,973,321	19,198,688
Buildings	68,638,694	70,885,716
Equipment	2,445,655	1,868,605
Livestock	9,750	9,400
Library holdings	1,114,698	1,171,710
Intangible assets	144,807	168,728
Right to Use-SBITA	586,004	350,520
Total	<u>98,155,538</u>	<u>95,840,977</u>

Improvement additions for the year include capital expenditures of \$88,200 for baseball and softball lighting and \$583,030 for engineering classroom enhancements. Talley Hall renovations and the Student Athletic Success Center were recorded as construction in progress, with costs of \$1,126,797 and \$2,799,768, respectively.

The University had a total of \$60,286,205 in bonds, lease-purchases, notes, and loans payable at June 30, 2024. Principal payments on debt during the year totaled \$2,572,511 and interest and other charges totaled \$2,196,447. Additional information concerning the University's Capital Assets and Debt Administration is presented in Notes 9, 12, 13, 14, 15, 16, and 17 to the Financial Statements.

SOUTHERN ARKANSAS UNIVERSITY

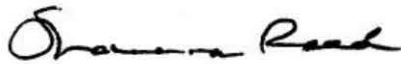
Management's Discussion and Analysis (Unaudited)

Economic Outlook

The University continues to monitor enrollment to balance academic standards, support student success, respond to demographic and economic changes, and estimate net tuition revenue. As noncore enrollments trend downward, revenue diversification remains a priority, with ongoing reviews of funding sources and development of innovative opportunities. State appropriations decreased slightly in the allocation of general funds but were offset by increases in Educational Excellence Trust Funds. Future appropriations remain stable, supported by a growing state budget surplus.

The University continues to build conservative budgets with the assistance of the University Budget Committee. This approach has enabled the University to manage enrollment fluctuations and position it to address future trends, including fewer college-aged students and lower college-going rates. Financial resources are managed strategically and prudently, and are monitored and adjusted as needed to respond to economic conditions.

The University's overall financial position remains sound. Its commitment to continuous improvement is reflected in strong academic programs, student services, and ongoing fundraising efforts to support its mission as a quality, comprehensive regional institution. The University will continue to monitor internal and external conditions and remain prepared to act on opportunities that may arise.



Shawana Reed
Vice President for Finance

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2024

Exhibit A

	For the Year Ended June 30, 2024
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,146,510
Accounts receivable, net of allowances of \$458,955	27,592,135
Notes and student loans receivable, net	1,054
Inventories	237,813
Prepaid expenses	359,729
Prepaid bond insurance, net	197,311
Total current assets	<u>29,534,552</u>
Noncurrent assets:	
Cash and cash equivalents	12,111,526
Endowment investments	5,350,584
Deposits with Trustee	1,781,049
Accrued interest receivable	12,879
Notes and student loans receivable, net	58,969
Capital Assets, net of accumulated depreciation of \$91,656,152	98,155,538
Total noncurrent assets	<u>117,470,545</u>
Total assets	<u>147,005,097</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	1,171,695
Deferral on debt defeasance, net of accumulated amortization costs of \$373,590	688,814
Other post employment benefits	1,429,367
Total deferred outflows of resources	<u>3,289,876</u>
LIABILITIES	
Current liabilities: (Amount due within 1 year)	
Accounts payable and accrued liabilities	3,681,867
Bonds, certificates of indebtedness and notes payable	2,971,437
Bonds, certificates of indebtedness and notes interest payable	632,492
Compensated absences payable	65,594
Other post employment benefits (OPEB)	72,576
Unearned revenue	2,068,021
Deposits/assets held in custody for others	665,452
Bond discount	(4,472)
Bond premium	55,766
Total current liabilities	<u>10,208,733</u>
Noncurrent liabilities: (Amounts due in more than 1 year)	
Bonds, certificates of indebtedness, and notes payable	57,314,768
Compensated absences payable	1,099,140
Refundable Advances	112,708
Other post employment benefits (OPEB)	2,448,016
Bond discount, net of accumulated amortization costs of \$32,033	(78,064)
Bond premium, net of accumulated amortization costs of \$254,018	650,904
Net Pension Liability	3,612,991
Total noncurrent liabilities	<u>65,160,463</u>
Total liabilities	<u>75,369,196</u>

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2024

Exhibit A

	For the Year Ended June 30, 2024
DEFERRED INFLOWS OF RESOURCES	
Pensions	\$ 1,729,051
Other post employment benefits (OPEB)	1,257,392
Total deferred inflows of resources	<u>2,986,443</u>
NET POSITION	
Invested in capital assets, net of related debt	39,061,088
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	307,987
Endowments and other	5,185,505
Loans	18,059
Expendable:	
Capital Projects	2,300
Debt Service	23,778
Other	49,226
Unrestricted	27,291,391
Total net position	<u>\$ 71,939,334</u>

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

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2023

Exhibit A-1

ASSETS	2023
Assets	
Cash and Cash Equivalents	\$ 4,396,148
Accrued Investment Earnings	128,458
Unconditional Promises to Give, Net	2,747,192
Prepaid Expenses	6,373
Investments	51,396,368
Total Assets	<u>\$ 58,674,539</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts Payable	\$ 867,646
Annuities Payable	67,437
Total Liabilities	<u>\$ 935,083</u>
 Net Assets	
Without Donor Restrictions	\$ 216,521
With Donor Restrictions	57,522,935
Total Net Assets	<u>\$ 57,739,456</u>
 Total Liabilities and Net Assets	<u>\$ 58,674,539</u>

SOUTHERN ARKANSAS UNIVERSITY ALUMNI ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2024

Exhibit A-2

	ASSETS	2024
<u>Current Assets</u>		
Cash On Hand in Banks		\$ 167,465
Restricted Cash		1,202,955
Total Current Assets		<u>1,370,420</u>
<u>Property</u>		
Buildings, Magnolia, Columbia, and Arkansas Halls		22,127,419
Accumulated Depreciation		<u>(4,957,672)</u>
Total Property		<u>17,169,747</u>
Total Assets		<u>\$ 18,540,167</u>
LIABILITIES AND NET POSITION		
<u>Current Liabilities</u>		
Accrued Interest, Bond, and Note Payable		\$ 72,816
Bonds Payable - Current		<u>575,000</u>
Total Current Liabilities		<u>647,816</u>
<u>Non-Current Liabilities</u>		
Bonds Payable-Net of Current Portion		21,395,000
Bonds Premium		<u>(161,966)</u>
Total Non-Current Liabilities		<u>21,233,034</u>
Total Liabilities		<u>21,880,850</u>
<u>Net Position</u>		
Without Donor Restrictions: Contractual Obligations		1,202,955
Without Donor Restrictions		<u>(4,543,638)</u>
Total Net Position		<u>(3,340,683)</u>
Total Liabilities and Net Position		<u>\$ 18,540,167</u>

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit B

	For the Year Ended June 30, 2024
REVENUES	
Operating Revenues:	
Student tuition and fees (net of scholarship allowances of \$18,134,909)	\$ 28,553,670
Federal grants and contracts	2,874,852
State and local grants and contracts	514,374
Non-governmental grants and contracts	478,745
Sales and services of educational departments	203,977
Auxiliary enterprises:	
Athletics	78,535
Housing and food service (net of scholarship allowances of \$3,833,719)	9,889,992
Bookstore	174,008
Health services	11,755
Student activities	42,024
Other	166,640
Other operating revenues	1,173,590
Total operating revenues	<u>44,162,162</u>
EXPENSES	
Operating expenses:	
Personal services	39,961,169
Supplies and other services	28,260,136
Scholarships and fellowships	3,575,698
Depreciation/amortization	4,211,908
Total operating expenses	<u>76,008,911</u>
Operating income (loss)	<u>(31,846,749)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	18,940,768
Federal grants	9,792,440
State grants	3,400,000
Non-governmental gifts and grants	733,930
Investment income (net of investment expense of \$75,100)	1,630,049
Interest on capital (asset related debt)	(2,227,990)
Gain/(Loss) on disposal of net assets	265,736
Other nonoperating revenues (expenses)	62,422
Amortization of bond discount and deferral on debt defeasance	(66,103)
Amortization of bond premium	55,766
Bond issuance cost	(10,529)
Net nonoperating revenues	<u>32,576,489</u>
Income before other revenues, expenses, gains/losses	729,740
Capital appropriations	391,009
Capital gifts and grants	161,568
Donated assets	387,108
Net increase (decrease) in net position	<u>1,669,425</u>
NET POSITION	
Net position -- beginning of year	70,269,909
Net position -- end of year	<u>\$ 71,939,334</u>

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

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.

Exhibit B-1

STATEMENT OF ACTIVITIES

For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 29,533	\$ 4,140,021	\$ 4,169,554
Contributions -Services	180,998		180,998
Miscellaneous Receipts	200,108		200,108
Investment Income (Loss)		7,317,593	7,317,593
Net Assets Released from Restrictions	4,652,311	(4,652,311)	-
Total Revenue and Support	\$ 5,062,950	\$ 6,805,303	\$ 11,868,253
Expenses			
Grants and Allocations	\$ 4,071,315		\$ 4,071,315
Annuities	6,050		6,050
Awards and Promotions	69,615		69,615
Conferences, Meetings, and Lectures	133,279		133,279
Bad Debts	301,942		301,942
General and Administrative	511,332		511,332
Total Expenses	\$ 5,093,533	\$ -	\$ 5,093,533
Increase (Decrease) in Net Assets	\$ (30,583)	\$ 6,805,303	\$ 6,774,720
Net Assets at the Beginning of the Year	247,104	50,717,632	50,964,736
Net Assets at the End of the Year	\$ 216,521	\$ 57,522,935	\$ 57,739,456

SOUTHERN ARKANSAS UNIVERSITY ALUMNI ASSOCIATION, INC.

Exhibit B-2

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

	2024
<u>Operating Revenues</u>	
Rentals - Resident Halls	\$ 1,383,191
Contributions - Debt Service	341,000
Contributions - Other Services	190,597
Total Operating Revenues	<u>1,914,788</u>
<u>Operating Expenses</u>	
Salaries, Wages and Fringe Benefits	258,856
Supplies and Services - Residence Halls	4,796
Maintenance - Buildings and Grounds	47,674
Accounting and Professional	9,860
Utilities and Insurance	332,183
Interest	880,788
Amortization of Bond Discount	11,563
Debt Service Fees	8,707
Depreciation	737,581
Total Operating Expenses	<u>2,292,008</u>
Operating Income or (Loss)	(377,220)
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	35,127
Bond Premium Amortization	5,392
Total Non-Operating Revenues (Expenses)	<u>40,519</u>
Changes in Net Position	(336,701)
Net Position Beginning of the Year without Donor Restrictions	<u>(3,003,982)</u>
Net Position, End of the Year without Donor Restrictions	<u><u>\$ (3,340,683)</u></u>

SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit C

	For the Year Ended June 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES	
INFLOWS:	
Tuition and fees (net of scholarships)	\$ 27,527,218
Federal grants and contracts	3,156,178
State grants and contracts	547,061
Non-governmental grants and contracts	491,967
Sales and services of educational departments	203,977
Collection of loans and interest to students	475,008
Auxiliary enterprise revenues:	
Athletics	78,535
Housing and food service (net of scholarships)	8,917,697
Bookstore	74,496
Health services	11,755
Student activities	42,024
Other	166,640
Other receipts	1,211,632
OUTFLOWS:	
Payments to suppliers	(28,059,084)
Payments to employees	(31,626,031)
Payments of employee benefits	(8,885,752)
Scholarships and fellowships	(3,560,511)
Net cash provided (used) by operating activities	(29,227,190)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
INFLOWS:	
State appropriations	18,940,768
Federal grants	8,809,285
State grants	3,400,000
Non-governmental gifts and grants	733,930
Direct lending and plus funds(inflows)	20,493,659
Direct lending and plus funds(outflows)	(20,818,060)
Other agency funds (net of outflows)	(57,029)
Net cash flows provided by noncapital financing activities	31,502,553
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
INFLOWS:	
Capital appropriations	391,009
Capital gifts and grants	161,568
Proceeds from sale of capital assets	265,736
OUTFLOWS:	
Purchases of capital assets	(5,352,709)
Payments to trustees for principal	(2,205,000)
Principal paid on non-bonded debt	(367,511)
Payments to trustees for interest and paying agent fees	(2,150,628)
Interest and paying agent fees on non-bonded debt	(45,819)
Net cash used by capital and related financing activities	(9,303,354)

**SOUTHERN ARKANSAS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

Exhibit C

	For the Year Ended June 30, 2024
CASH FLOWS FROM INVESTING ACTIVITIES	
INFLOWS:	
Proceeds from the sales and maturities of investments	\$ 545,571
Investment income (net of fees)	1,167,509
OUTFLOWS:	
Purchase of investments	(561,819)
Net cash provided (used) by investing activities	1,151,261
Net increase (decrease) in cash	(5,876,730)
Cash and cash equivalents -- beginning of year	19,134,766
Cash and cash equivalents -- end of year	\$ 13,258,036
 Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (31,846,749)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	4,211,908
Change in assets and liabilities:	
Receivables, net	(906,428)
Inventories	(84)
Prepaid expenses	45,632
Other assets	-
Accounts payable	(25,858)
Deferred revenue	(415,027)
Deposits/assets held in custody for others	101,728
Compensated absences	43,704
Other post employment benefits	(90,347)
Notes and student loans receivable	473,836
Pensions	(819,505)
Net cash provided (used) by operating activities	\$ (29,227,190)
 NONCASH TRANSACTIONS	
Buildings/Equipment -- donated	387,108
Subscription based information technology arrangements	578,458

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

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2023

Exhibit C-1

	<u>2023</u>
Cash Flows from Operating Activities	
Change in Net Assets	\$ 6,774,720
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:	
In Kind Contributions	(6,908)
Contributions Received net of Restricted for Long Term Investment	(2,000,171)
Net Realized/Unrealized (Gain) Loss on Investments	(5,608,962)
Changes in:	
Unconditional Promises to Give	(638,358)
Accounts Payable	109,621
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,370,058)</u>
Cash Flows from Investing Activities	
Purchase of Investments	\$ (12,956,032)
Proceeds from Sale of Investments	11,787,642
Net Cash Provided (Used) by Investing Activities	<u>\$ (1,168,390)</u>
Cash Flows from Financing Activities	
Proceeds from Contributions Restricted for Long Term Investments	\$ 2,000,171
Payments of Annuity Obligations	(10,820)
Net Cash Provided (Used) by Financing Activities	<u>\$ 1,989,351</u>
Net Change in Cash	\$ (549,097)
Cash, beginning of the year	<u>4,945,245</u>
Cash, end of the year	<u>\$ 4,396,148</u>

SOUTHERN ARKANSAS UNIVERSITY ALUMNI ASSOCIATION, INC.

Exhibit C-2

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

	<u>2024</u>
<u>Cash Flows Provided from Operating Activities</u>	
Rental Student Housing	\$ 1,383,191
Contributions - Other Services	190,597
Contributions - Debt Service	341,000
Salaries, Wages, and Fringe Benefits	(258,856)
Supplies and Services- Residence Halls	(4,796)
Maintenance - Buildings and Grounds	(47,674)
Professional and Accounting	(9,935)
Utilities and Insurance	(332,183)
Net Cash Provided (Used) by Operating Activities	<u>1,261,344</u>
<u>Cash Flows from Financing Activities</u>	
Payment to Trustee for Principal Payment on Bonds	(560,000)
Payment to Trustee for Payment of Interest and Fees	(890,896)
Net Cash Provided (Used) by Financing Activities	<u>(1,450,896)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned on Restricted Funds	<u>35,127</u>
Net Cash Provided (Used) by Investing Activities	<u>35,127</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(154,425)
Cash and Cash Equivalents Beginning of Year	<u>1,524,845</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,370,420</u>

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: REPORTING ENTITY

Southern Arkansas University

Southern Arkansas University, formerly State Agricultural and Mechanical College, was established by an act of the Arkansas Legislature in 1909 as a district agricultural school for Southwest Arkansas. Southern Arkansas University is an institution of higher education of the State of Arkansas.

The Vice President for Academic Affairs administers the Academic program of Southern Arkansas University. The program includes the following four (4) colleges: College of Business Administration, College of Education, College of Liberal and Performing Arts, and the College of Science and Engineering, plus the School of Graduate Studies.

Southern Arkansas University is fully accredited by the Higher Learning Commission (HLC); the Council for the Accreditation of Educator Preparation (CAEP); AACSB International; the National Association of Schools of Music (NASM); the Accreditation Commission for Education in Nursing, Inc. (ACEN); Commissions on Accreditation of Athletic Training Education (CAATE); the National Alliance of Concurrent Enrollment Partnerships (NACEP); and the Council on Social Work Education (CSWE).

Southern Arkansas University is one of two campuses of the Southern Arkansas University system. A five (5) member Board of Trustees governs the Southern Arkansas University system. The Governor appoints board members.

Component Units

In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the standard, which became effective with fiscal year ended June 30, 2004, a component unit must be a legally separate tax-exempt entity whose economic resources are held for the direct benefit of the University. Discrete presentation of the University's component units are contained in its financial presentation.

The Southern Arkansas University Foundation, Inc (Foundation) is considered a component unit of the University. The Foundation is a 501(c)3 not for profit corporation that primarily acts as a fund-raising organization to supplement the resources that are available to the University and its programs. During the year ended June 30, 2024, the Foundation made distributions to the University for departmental awards, scholarships, and professorships in the amounts of \$413,091, \$602,786, and \$130,163, respectively, for both restricted and unrestricted purposes.

The Southern Arkansas University Alumni Association, Inc. (Association) is considered a component unit of the University. The Association is a 501(c)3 not for profit corporation that primarily seeks to foster the ongoing support of the University's alumni and friends. In October 2015, the Alumni Association initiated a housing project for the benefit of the University wherein bonds were issued by the Housing Facility's Board of Magnolia, Arkansas. During the year ended June 30, 2024, the University's housing project made revenue transfers of \$1,471,698 for debt service obligations and pledges to continue payments in the event of a revenue shortfall. The manage and maintain agreement designates the University responsible for all other operational and managerial expenses related to the residence halls. In exchange for the arrangement, the University has paid the Association \$25,000 a year for five years, for a total of \$125,000, plus actual expenses for accountant services relating to the Student Housing Project and any other direct expenses.

The Foundation and Association report under the requirements of the Not-For-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features differ from GASB revenue recognition criteria and presentation. No modifications have been made to the Foundation's or Association's financial information in the University's financial statements.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* followed in November 1999. As an institution of higher education of the State of Arkansas, Southern Arkansas University was required to implement GASB Statement No. 35 at the same time the State of Arkansas implemented GASB Statement No. 34, which was the year ended June 30, 2002. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net position, revenues, expenses, changes in net position, cash flows and replaces the fund-group perspective previously required. In July 2011, the GASB amended these reporting requirements with Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The amended statement provides the standards for the presentation of deferred outflows and inflows of resources as items distinct from asset or liabilities within the Statement of Net Position.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Additionally, funds maintained by the State of Arkansas on behalf of the University are considered to be cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. Effective fiscal year 2016, GASB No. 72 revised the definition of investments and as a result, funds commonly held in US Treasury Bills and other government obligations are recorded at fair market value.

Accounts Receivable

Accounts receivable consists primarily of charges due the University from various educational activities, student fees and room and board. Accounts receivable also includes unreimbursed expenses relating to grants and contracts with federal, state and private agencies and reimbursements not received. Beginning in the fiscal year ended June 30, 2013, accounts receivable are recorded net of estimated uncollectible amounts. Previously, the University utilized the direct write-off method for uncollectible student accounts.

Inventories

Inventories are valued at cost with cost being generally determined on a first-in, first-out basis.

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, purchase capital or other noncurrent assets are classified as noncurrent assets in the Statement of Net Position. Cash, cash equivalents, and investments relating to University endowments are also reflected as noncurrent assets in the Statement of Net Position.

Deposits with Trustee

Deposits with trustees include cash and investments held in debt service reserve and capital project accounts.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. Livestock is recorded at estimated fair value. Equipment recorded prior to July 1, 2011 includes all items with a unit cost of \$2,500 or more. Equipment recorded after that date adheres to the \$5,000 capitalization threshold to be in accordance with state guidelines. All capitalized items have an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The University also received donated assets in the amount of \$387,108 reflected on the Statement of Revenues, Expenses, and Changes in Net Position. Intangible assets include the University trademark, web domain, and internally developed computer software.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets in accordance with the following schedule:

<u>Classification</u>	<u>Estimated Life (years)</u>
Buildings	50
Buildings Improvements	30
Intangible assets	5-20
Infrastructure and other improvements	10-40
Library holdings	15
Equipment (non-office)	5-20
Office furnishings	20
Other office equipment	20
Buses	6
Motor Vehicles	6
Computer equipment	non specified

No depreciation is recorded for livestock, construction in progress, land or land improvements, and certain intangible assets. Additionally, no salvage or residual value is used in the depreciation computation.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees, certain auxiliary activities, Southern Arkansas University Foundation, Inc. distributions, and various grants prior to the end of the fiscal year, but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods or services. Southern Arkansas University does not record encumbrances in its accounting system and none are recorded in the accompanying financial statements.

Compensated Absences Payable

Employees accrue and accumulate annual leave in accordance with policies established by the Board of Trustees. Full-time, non-classified, University employees accrue leave at a variable rate (from 12 to 15 hours per month), classified employees at a variable rate (from 8 to 15 hours per month), depending upon the number of years employed in state government. Under the University's policy, an employee may carry accrued leave forward from one fiscal year to another, up to a maximum of 240 hours (30 working days). Employees who terminate their employment are entitled to payment for all accumulated annual leave, up to the maximum allowed. The amount accrued is calculated using an average of the actual amount expended in the preceding five fiscal years.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences Payable (Continued)

Classified employees, who meet the conditions to be considered retirees at the time of termination of employment, are entitled to a partial payment of accumulated, unused sick leave in accordance with the provisions of Arkansas Code Annotated § 21-4-501. A classified employee who has accumulated at least fifty (50) days, but less than sixty (60) days of sick leave upon retirement shall receive an amount equal to fifty percent (50%) of the number of accrued sick leave days (rounded to the nearest day) times fifty percent (50%) of the employee's daily salary. A classified employee who has accumulated at least sixty (60) days, but less than seventy (70) days of sick leave upon retirement shall receive an amount equal to sixty percent (60%) of the number of accrued sick leave days (rounded to the nearest day) times sixty percent (60%) of the employee's daily salary. A classified employee who has accumulated at least seventy (70) days, but less than eighty (80) days of sick leave upon retirement shall receive an amount equal to seventy percent (70%) of the number of accrued sick leave days (rounded to the nearest day) times seventy percent (70%) of the employee's daily salary. A classified employee that has accumulated at least eighty (80) or more days of sick leave upon retirement shall receive an amount equal to eighty percent (80%) of the number of accrued sick leave days (rounded to the nearest day) times eighty percent (80%) of the employee's daily salary. In no event shall an employee receive a sick leave incentive amount that exceeds \$7,500.

The University accrues the dollar value of leave benefits which are payable upon retirement, termination, or death of its employees. The projected amount of this liability considered to be payable within one year at June 30, 2024 is \$65,594. This amount was calculated using an average of the actual amount expended in the preceding five fiscal years. The projected amount considered to be payable in excess of one year is \$1,099,140 at June 30, 2024. Certain employees who leave University employment are not paid for accrued sick leave.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, certificates of indebtedness payable, notes payable and capital leases payable with contractual maturities greater than one year, (2) estimated amounts for accrued compensated absences, described above, that will not be paid within the next fiscal year, (3) other postemployment benefits, (4) net pension liability, and (5) refundable advances associated with the Federal Perkins Loan program.

Net Position

The University's net position is classified as follows:

- 1) *Net investment in capital assets* – This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- 2) *Restricted net position – nonexpendable* – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- 3) *Restricted net position – expendable* – Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- 4) *Unrestricted net position* – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's normal policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria in compliance with GASB Statement No. 34:

- 1) *Operating revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as (a) student tuition and fees, net of scholarship discounts and allowances, (b) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (c) most federal, state and local grants and contracts and non-government grants and contracts, and (d) sales and services of educational departments.
- 2) *Nonoperating revenues* – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, grants and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance. Scholarship discounts and allowances eliminate the double counting of revenue by the University.

Income Taxes

The University is tax exempt under the Internal Revenue Service Code. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

NOTE 3: PUBLIC FUND DEPOSITS AND INVESTMENTS

The University's depository accounts are listed below. All deposits are carried at cost and the University does not have a deposit policy.

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the pledging bank's trust department or agent in the University's name	16,193,539	16,481,292
Collateral held by the pledging bank's trust department, or other designee not in the University's name	<u>1,767,851</u>	<u>1,767,851</u>
Total Deposits	<u>\$ 18,211,390</u>	<u>\$ 18,499,143</u>

The above deposits do not include cash on hand and cash equivalents in the amounts of \$31,245 and \$59,032 at June 30, 2024, respectively. Cash equivalents primarily consisted of the short-term Reich & Tang Money Market account. The above total deposits include cash and certificates of deposit of \$1,767,851 reported as deposits with trustees.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3: PUBLIC FUND DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2024, cash and cash equivalents included \$3,275,780 on deposit in a University bank account and held in a custodial capacity for the Southern Arkansas University Foundation, Inc. This amount is offset by a liability of deposits/assets held in custody for others on the Statement of Net Position. The Southern Arkansas University Foundation, Inc. financial statements include the amount which is held by the University in this custodial capacity in its assets and net assets.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The University does not have a deposit policy for custodial credit risk. As of June 30, 2024, \$1,767,851 of the University's bank balance of \$18,499,143 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the University's name	\$ <u>1,767,851</u>
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Reich & Tang Money Market Account

The University had \$59,032 invested in the Reich & Tang Money Market account at June 30, 2024.

Credit risk – The Reich & Tang Money Market account consists of securities issued or guaranteed by the U.S. money market securities such as high-quality commercial paper and other short-term obligations.

Investments measured at Fair Value

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices (unadjusted) for identical investments in active markets that a government can access at the measurement date.

Level 2: Inputs-other than quoted prices included within Level 1 – that are observable for an investment, either directly or indirectly.

Level 3: Unobservable inputs for an investment. This uses the best information available which might include the government's own data.

Deposits with Trustee

At June 30, 2024, the University's deposits with trustees of \$1,781,049 consisted of Federated Trust for U.S. Treasury Obligations of \$13,198 and non-negotiable certificates of deposits of \$1,767,851. These funds are obligated for specific capital improvement projects and debt reserves for the University's bond issues.

Federated Trust for U.S. Treasury Obligations

This fund operates as a "government money market fund" as defined in or interpreted under Rule 2a-7 under the Investment Company Act of 1940, as amended. Under normal conditions, this fund will invest its assets so that at least 80% of its net assets are invested in government securities and/or repurchase agreements that are collateralized fully by government securities.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3: PUBLIC FUND DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at the NAV

Calculation of Net Asset Value – The Fund attempts to stabilize the NAV of its Shares at \$1.00 by valuing the portfolio securities using the amortized cost method. In addition, for regulatory purposes, the Fund calculates a market-based NAV per Share on a periodic basis. The Fund cannot guarantee that its NAV will always remain at \$1.00 per Share. The Fund does not charge a front-end sales charge. Shares can be purchased, redeemed or exchanged any day the NYSE is open.

<u>Security Description</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 10,136
U.S. Treasury	<u>3,062</u>
Total Investments measured at NAV	\$ 13,198

1. *Government Agencies and U.S. Treasury – Fixed-Income Securities.* Fixed-income securities pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principle or may be adjusted periodically. In addition, the issuer of a fixed-income security must repay the principal amount of the security, normally within a specified time. Fixed-Income securities provide more regular income than equity securities. However, the returns on fixed-income securities are limited and normally do not increase the issuer's earnings. This limits the potential appreciation of fixed-income securities as compared to equity securities.

A security's yield measures the annual income earned on a security as a percentage of its price. A security's yield will increase or decrease depending upon whether it costs less (a "discount") or more (a "premium") than the principal amounts. If the issuer may redeem the security before its scheduled maturity, the price and yield on a discount or premium security may change based upon the probability of an early redemption. Securities with higher risks generally have higher yields.

The following describes the types of fixed-income securities in which the Fund principally invests:

U.S. Treasury Securities – are direct obligations of the federal government of the United States.

Government Securities – are issued or guaranteed by a federal agency or instrumentally acting under federal authority. Some government securities, including those by issued by Ginnie Mae, are supported by the full faith and credit of the United States and are guaranteed only as to the timely payment of interest and principal.

Other government securities receive support through federal subsidies, loans, or other benefits, but are not backed by the full faith and credit of the United States. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Freddie Mac and Fannie Mae in support of such obligations.

Some government agency securities have no explicit financial support, and are supported only by the credit of the applicable agency, instrumentality or corporation. The U.S. government has provided financial support to Freddie Mac and Fannie Mae, but there is no assurance that it will support these or other agencies in the future.

Callable Securities – are certain U.S. Treasury or government securities in which the Fund invests are callable at the option of the issuer. Callable securities are subject to call risks.

2. *Repurchase Agreements.* Repurchase agreements are transactions in which the Fund buys a security from a dealer or bank and agrees to sell the security bank at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting the Fund's return on the transaction. This return is unrelated to the interest rate on the underlying security. The Fund will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Adviser.

The Fund's custodian or subcustodian will take possession of the securities subject to repurchase agreements. The Adviser or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3: PUBLIC FUND DEPOSITS AND INVESTMENTS (CONTINUED)

Endowment Investments

At June 30, 2024, the University's endowment investments consisted of mutual bond funds of \$51,955, mutual equity funds of \$3,864,600, U.S. agencies of \$1,352,944, and mineral interest of \$81,085.

<u>Investments by Fair Value Level</u>	<u>6/30/2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Agency Securities:				
Maturity:				
Less than 1 Year	\$ 512,393	\$ 512,393		
1 to 5 years	751,430	751,430		
6 to 10 years	-	-		
More than 10 years	89,121	89,121		
Total U.S. Agency Securities	<u>1,352,944</u>	<u>1,352,944</u>	<u>-</u>	<u>-</u>
Mutual Bond Funds:				
Maturity:				
1 to 5 years	\$ 6,242	\$ 6,242		
6 to 10 years	45,713	45,713		
Total Mutual Bond Funds:	<u>51,955</u>	<u>51,955</u>	<u>-</u>	<u>-</u>
Mutual Equity Funds	<u>\$ 3,864,600</u>	<u>\$ 3,864,600</u>		
Mineral Interest	<u>\$ 81,085</u>	<u>-</u>	<u>-</u>	<u>\$ 81,085</u>
Total Investments at Fair Value	<u>\$ 5,350,584</u>	<u>\$ 5,269,499</u>	<u>-</u>	<u>\$ 81,085</u>

Credit risk – As of June 30, 2024, the mutual bond funds were each rated two to four stars by Morningstar. The U.S. agencies Federal Farm Credit Banks were rated AA+/A-1+ by S&P and Aaa/P-1 by Moody's. The U.S. agencies Federal Home Loan Banks were rated AA+/A-1+ by S&P and Aaa/P-1 by Moody's. The mutual equity funds have an average four-star rating by Morningstar. The investment in mineral interests is unrated.

Interest rate risk – The U.S. agencies and Mutual bond funds average maturity in years is disclosed in the above table. The University does not have an investment policy that would limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk – The University does not limit the amount of operating funds invested in any one issuer. Twelve percent of the University's investments were in the Federal Home Loan Bank (FHLB) and eight percent in the Federal Farm Credit Bank (FFCB).

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2024:

Student tuition and fees, net of allowance of \$458,955	\$ 2,785,112
Auxiliary enterprises and other operating activities	2,710,937
Federal, state, and non-governmental grants and contracts	21,799,985 *
Other	<u>296,101</u>
Total	<u>\$ 27,592,135</u>

* The Federal, state, and non-governmental grants and contracts accounts receivable as of June 30, 2024, included \$16,547,842 related to Pell and Direct Loans. Subsequently, the University processed and received drawdowns totaling \$13,810,238 from the U.S. Department of Education related to this accounts receivable through the report date.

NOTE 5: INVENTORIES

Inventories consisted of the following at June 30, 2024:

Physical plant	\$ 227,672
Communications center	5,606
Post office	<u>4,535</u>
Total	<u>\$ 237,813</u>

NOTE 6: PREPAID EXPENSES

Prepaid expenses consisted of the following at June 30, 2024:

Service, supplies, and maintenance contracts	\$ 353,364
Scholarships	6,365
Total	<u>\$ 359,729</u>

NOTE 7: NOTES AND STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30, 2024. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100%, if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions. The student loans receivable has been split to indicate the current amount of \$1,054 and the non-current amount of \$58,969.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2024, the allowance for uncollectible loans was approximately \$2,690,619.

NOTE 8: COLLECTIONS

The University has an art collection donated by Dr. Bud Dickson, which is not capitalized. This collection adheres to the University's policy to (a) maintain for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations, if purchased, rather than be capitalized.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Transfers	Deductions	Balance June 30, 2024
Capital assets not being depreciated:					
Land and mineral rights	\$ 2,033,244				\$ 2,033,244
Construction in progress	154,366	\$ 4,726,229	\$ (671,230)		4,209,365
Livestock for educational purposes	9,400	350			9,750
Intangible—(trademark and web domain)	26,895				26,895
Total capital assets not being depreciated	2,223,905	4,726,579	(671,230)		6,279,254
Other capital assets:					
Infrastructure and other improvements	30,170,735	250,000	671,230		31,091,965
Buildings	131,856,156			\$ 59,282	131,796,874
Equipment	8,959,091	894,257		21,277	9,832,071
Library holdings	9,188,939	78,242		120,791	9,146,390
Intangible—(computer software)	480,378				480,378
Right to Use-SBITAs	606,300	578,458			1,184,758
Total other capital assets	181,261,599	1,800,957	671,230	201,350	183,532,436
Less accumulated depreciation / amortization:					
Infrastructure and other improvements	10,972,047	1,146,597			12,118,644
Buildings	60,970,440	2,247,021		59,281	63,158,180
Equipment	7,090,486	316,141		20,211	7,386,416
Library holdings	8,017,229	135,254		120,791	8,031,692
Intangible—(computer software)	338,545	23,921			362,466
Right to Use-SBITAs	255,780	342,974			598,754
Total accumulated depreciation / amortization	87,644,527	4,211,908		200,283	91,656,152
Other capital assets, net	\$ 93,617,072	\$ (2,410,951)	\$ 671,230	\$ 1,067	\$ 91,876,284
Capital Assets Summary:					
Capital assets not being depreciated / amortized	\$ 2,223,905	\$ 4,726,579	\$ (671,230)		\$ 6,279,254
Other capital assets, at cost	181,261,599	1,800,957	671,230	\$ 201,350	183,532,436
Total cost of capital assets	183,485,504	6,527,536		201,350	189,811,690
Less accumulated depreciation / amortization	87,644,527	4,211,908		200,283	91,656,152
Capital Assets, net	\$ 95,840,977	\$ 2,315,628	\$ 0	\$ 1,067	\$ 98,155,538

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10: ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2024:

Vendors	\$ 1,949,223
Capital assets / construction	640,774
Salaries and benefits	647,010
Health claims	<u>444,860</u>
Total	<u>\$ 3,681,867</u>

NOTE 11: UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2024:

Prepaid tuition and fees	\$ 1,580,452
Grants and contracts	<u>487,569</u>
Total	<u>\$ 2,068,021</u>

NOTE 12: LONG-TERM LIABILITIES

The changes in long-term liabilities are as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Bonds payable	\$ 61,275,000		\$ 2,205,000	\$ 59,070,000	\$ 2,265,000
Bond discount	(87,007)		(4,471)	(82,536)	(4,472)
Bond premium	762,436		55,766	706,670	55,766
GASB 96 SBITA	353,941	\$ 578,458	348,838	583,561	371,925
Notes payable	1,000,155		367,511	632,644	334,512
Compensated absences payable	1,121,030	1,282,497	1,238,793	1,164,734	65,594
Total	<u>\$ 64,425,555</u>	<u>\$ 1,860,955</u>	<u>\$ 4,211,437</u>	<u>\$ 62,075,073</u>	<u>\$ 3,088,325</u>

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12: LONG-TERM LIABILITIES (CONTINUED)

A summary of long-term debt is as follows:

<u>Date of Issue</u>	<u>Date of Final Maturity (fiscal year)</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2024</u>	<u>Maturities to June 30, 2024</u>
02/16/16	2039	1 - 4%	\$ 9,135,000	\$ 6,400,000	\$ 2,735,000
11/30/16	2041	1.5-3.625%	6,465,000	5,425,000	1,040,000
03/14/17	2047	2.125-4.25%	8,000,000	6,785,000	1,215,000
06/01/17	2029	3.55%	552,517	181,625	370,892
06/12/18	2048	3.125-4%	17,050,000	15,345,000	1,705,000
06/12/18	2048	3.875-4%	7,675,000	7,675,000	
07/27/18	2026	4.25%	1,400,000	233,024	1,166,976
09/26/19	2039	2.75-4%	5,600,000	4,905,000	695,000
09/26/19	2034	3-4%	7,010,000	5,905,000	1,105,000
02/01/20	2025	0.368%	225,175	42,180	182,995
07/01/20	2025	2.671%	97,496	21,443	76,053
11/19/20	2045	2-3%	7,580,000	6,630,000	950,000
07/01/22	2025	0.368%	477,917	201,490	276,427
07/01/22	2027	3.12%	99,720	62,743	36,977
09/01/22	2027	2.02%	220,418	136,251	84,167
06/01/23	2028	3.48%	78,500	60,301	18,199
07/01/23	2026	0.37%	245,670	166,652	79,018
03/15/24	2028	1.70%	136,276	110,496	25,780
Total			\$ 72,048,689	\$ 60,286,205	\$ 11,762,484

Total long-term debt principal and interest payments are as follows:

<u>Year Ended</u>	<u>Bonds</u>			<u>Direct Borrowings</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,265,000	\$ 2,107,914	\$ 4,372,914	\$ 334,512	\$ 34,131	\$ 368,643
2026	2,355,000	2,030,920	4,385,920	118,581	11,155	129,736
2027	2,435,000	1,953,439	4,388,439	100,145	6,540	106,685
2028	2,505,000	1,875,019	4,380,019	47,332	2,816	50,148
2029	2,590,000	1,792,422	4,382,422	32,074	1,138	33,212
2030-2034	13,890,000	7,660,761	21,550,761			
2035-2039	14,825,000	5,193,460	20,018,460			
2040-2044	10,425,000	2,726,009	13,151,009			
2045-2048	7,780,000	755,238	8,535,238			
Totals	\$ 59,070,000	\$ 26,095,182	\$ 85,165,182	\$ 632,644	\$ 55,780	\$ 688,424

The retirement of bond issues is secured by a specific pledge of certain gross revenues, surplus revenues and specific fees. Debt service payments on bonds, including fees of \$23,493, amounted to \$4,388,235 for the fiscal year ended June 30, 2024. Debt service payments on subscription-based IT arrangements amounted to \$359,549 for the fiscal year ended June 30, 2024. Debt Service payments on loans/notes payable amounted to \$401,555 for the fiscal year ended June 30, 2024.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13: BONDS PAYABLE AND PLEDGED REVENUES

A. Bonds payable consisted of the following at June 30, 2024:

Auxiliary Enterprises Revenue Secured Refunding Bonds, Series 2016 A, issued in the original amount of \$9,135,000 and maturing in varying amounts to June 1, 2039, with variable interest rates from 1% to 4%.	\$ 6,400,000
Student Fee Secured Refunding Bonds, Series 2016 B, issued in the original amount of \$6,465,000 and maturing in varying amounts to October 01, 2040, with variable interest rates from 1.5% to 3.625%	5,425,000
Auxiliary Enterprises Revenue Secured Capital Improvements Bonds, Series 2017, issued in the original amount of \$8,000,000 and maturing in varying amounts to March 1, 2047, with variable interest rates from 2.125% to 4.25%	6,785,000
Student Fee Secured Capital Improvement and Refunding Bonds, Series 2018 A, issued in the original amount of \$17,050,000 and maturing in varying amounts to March 01, 2048, with variable interest rates from 3% to 4%	15,345,000
Auxiliary Enterprises Revenue Secured Capital Improvements and Refunding Bonds, Series 2018 B, issued in the original amount of \$7,675,000 and maturing in varying amounts to March 01, 2048, with variable interest rates from 3.875% to 4%.	7,675,000
Student Fee Secured Refunding Bonds, Series 2019 A, issued in the original amount of \$5,600,000 and maturing in varying amounts to March 1, 2039, with variable interest rates from 2.75% to 4%	4,905,000
Auxiliary Enterprises Revenue Secured Refunding Bonds, Series 2019 B, issued in the original amount of \$7,010,000 and maturing in varying amounts to March 01, 2034, with variable interest rates from 3% to 4%	5,905,000
Student Fee Secured Refunding Bonds, Series 2020, issued in the original amount of \$7,580,000 and maturing in varying amounts to March 1, 2045, with variable interest rates from 2% to 3%	6,630,000
	<u>\$ 59,070,000</u>

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13: BONDS PAYABLE AND PLEDGED REVENUES (CONTINUED)

B. Pledged Revenues consisted of the following at June 30, 2024:

Date of Maturity Issue Date	Purpose of Debt	Remaining Principal + Interest	FY 24 Principal + Interest	Revenue Source	FY 24 Revenue	% of Rev Pledged in FY 24
2016A Series	2039 Bond Refunding 2010	8,514,726	567,068	Auxiliary Enterprises Revenue	14,196,673	3.99%
2016B Series	2041 Bond Refunding 2011	7,146,574	422,623	Student Fees	46,688,579	0.91%
2017 Series	2047 Eichenberger/ Burns-Harsh Halls	10,618,231	460,346	Auxiliary Enterprises Revenue	14,196,673	3.24%
2018A Series	2048 Cross Hall, Band Hall and Bond Refunding 2007	23,982,469	993,894	Student Fees	46,688,579	2.13%
2018B Series	2048 Residence Hall Repairs and Bond Refunding 2005B, 2012,2013C	13,189,994	304,288	Auxiliary Enterprises Revenue	14,196,673	2.14%
2019A Series	2039 Bond Refunding 2013A	6,146,650	412,967	Student Fees	46,688,579	0.88%
2019B Series	2034 Bond Refunding 2014	7,007,800	697,150	Auxiliary Enterprises Revenue	14,196,673	4.91%
2020 Series	2045 Bond Refunding 2013B,2015	8,558,738	506,406	Student Fees	46,688,579	1.08%

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14: GASB 87 LEASES

GASB 87 is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It requires entities to recognize a lease liability and an intangible right-to-use lease asset. The University has evaluated its lease financing obligations and has determined that each obligation meets the definition of a financed purchase. Each of these are reflected as Notes Payable.

NOTE 15: SUBSCRIPTION-BASED IT ARRANGEMENTS

SBITA's consisted of the following at June 30, 2024:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>
Enrollment RX	\$ 225,175	\$ 183,604	\$ 41,571
Red Canary	477,917	285,859	192,058
Tech Data Capital Barracuda	99,720	39,888	59,832
Blackboard	245,670	81,890	163,780
Extreme Networks NAC	136,276	7,513	128,763
	<u>\$ 1,184,758</u>	<u>\$ 598,754</u>	<u>\$ 586,004</u>

	<u>June 30, 2024</u>
Total Minimum SBITA Payments	\$ 599,906
Less: Amount Representing Interest	<u>16,345</u>
Total Present Value of Net Minimum SBITA Payments	<u>\$ 583,561</u>

<u>Year Ended</u> <u>June 30</u>	<u>SBITAs Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 371,925	\$ 7,901	\$ 379,826
2026	132,923	4,958	137,881
2027	49,942	2,685	52,627
2028	28,771	801	29,572
Totals	<u>\$ 583,561</u>	<u>\$ 16,345</u>	<u>\$ 599,906</u>

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 16: NOTES PAYABLE

Notes payable consisted of the following at June 30, 2024:

Loan payable to Farmers Bank and Trust for the purchase of the University Court Apartments, in the total amount of \$552,517 with varying payments and an interest rate of 3.55%	\$ 181,625
Loan payable to Farmers Bank and Trust for the purchase of the Mulerider Pointe Apartments, in the total amount of \$1,400,000 with varying payments and an interest rate of 4.25%	233,025
Notes payable to Dell Financial Services for VMware Vcenter servers and equipment in the amount of \$97,496 with quarterly payments of \$5,526 and an imputed interest rate	21,442
Notes payable to Dell Financial Services for VMware VDI Refresh servers and equipment in the amount of \$220,418 with quarterly payments of \$12,134 and an imputed interest rate	136,251
Notes payable to Dell Financial Services for Primary Storage Subsystem in the amount of \$78,500 with quarterly payments of \$4,609 and an imputed interest rate	<u>60,301</u>
	<u><u>\$ 632,644</u></u>

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 17: COMMITMENTS

The University was contractually obligated for the following at June 30, 2024:

<u>Construction Contracts</u>	<u>Completion Date</u>	<u>Contract Balance</u>
<u>Project Name</u>		
Mt. Prospect Historic Site	09/30/24	
CADM		\$ 18,583
Contech		129,770
Reynolds Repair	09/30/24	
CADM		2,516
Cross Roofing		67,495
Sidewalks (3)	TBD	
AL Franks		5,337
Student Athletic Success Center	08/31/24	
Cline		384,480
WER		20,697
Tally Hall Renovations	09/30/24	
CADM		7,709
Kinco Constuctors		147,962
Wilson Hall Improvements	09/30/24	
Contech		257,948
Total		<u>\$ 1,042,497</u>

NOTE 18: RETIREMENT PLANS

Alternative Retirement Program

Plan description: The Alternative Retirement Program, a defined contribution plan, includes Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. The program includes a 403(b) Retirement Annuity program (RA), a 403(b) Supplemental Retirement Annuity program (SRA), and 457(b) program as defined by Internal Revenue Service Code of 1986 as amended and is administered by TIAA-CREF and Fidelity Investments. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company which offers a variable annuity. Arkansas Code Annotated authorizes participation in the plan.

Funding Policy: The Optional Retirement Programs are contributory. Members in the 403(b) RA programs select a contribution level of 4, 5, 6, 7, or 8% of earnings to the plan and Southern Arkansas University follows a matching schedule, which ranges from 6% to 10% for contributory members. Southern Arkansas University's and participants' contributions for the year ended June 30, 2024, were \$2,111,869 and \$1,803,427, respectively. Southern Arkansas University does not contribute to the 403(b) SRA or the 457(b) program.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 18: RETIREMENT PLANS (CONTINUED)

Arkansas Teacher Retirement System

Plan Description: Southern Arkansas University contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan. ATRS is only available to current employees who elected this option prior to July 1, 2012 and to new employees who were members with their previous employer. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The pension plan's fiduciary net position has been determined on the same basis as reported by ATRS. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 501-682-1517.

Benefits Provided: Members are eligible for full retirement benefits at age 60 with 5 or more years of actual or reciprocal service or at any age with 28 years of credited service. Upon reaching eligibility for retirement, members receive lifetime, monthly annuity benefits from ATRS based on age and service. Such annuity benefits are calculated with years of service multiplied by the member's final average salary (average of the annual salaries paid during the period of 5 years of credited service producing the highest annual salary). Early retirees receive a reduced annuity. Disability benefits are awarded to members with 5 actual years of service and are calculated using the aforementioned age and service formula. Lump sum death benefits are awarded to the qualified survivor(s) of active or retired members with 10 actual years of service. Other survivor benefits are awarded to the qualified survivors(s) of active members with 5 actual years of service. A cost of living adjustment is payable annually on July 1 to retirees, certain survivors, and beneficiaries who received monthly benefits for the previous 12 months.

Funding Policy: ATRS has contributory and non-contributory plans. Contributory members are required by State law to contribute 7% of their salaries. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 15%. Southern Arkansas University's contributions to ATRS for the years ended June 30, 2024, 2023, and 2022 were \$173,923, \$175,133, and \$363,964, respectively, equal to the required contributions for each year.

Pensions Liability, Expense, and Deferred Resources: For the year ended June 30, 2024, Southern Arkansas University recorded .0326% as its proportionate share of the total ATRS pension liability, which totaled \$1,691,386. The pension liability was determined by an actuarial valuation as measured on June 30, 2023. The University's proportion of the net pension liability was based on current contributions of all participating employers. For the year ended June 30, 2024, the University recognized a reduction to pension expense of \$185,623 and deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,509	\$ 1,979
Net difference between projected and actual investment earnings on pension plan investments	111,388	
Changes of Assumption	123,146	
Changes in University's proportion and differences between the University's contributions and proportionate share of the University's contributions	37,667	1,509,607
Contributions subsequent to the measurement date	173,923	
Total	<u>\$ 507,633</u>	<u>\$ 1,511,586</u>

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 18: RETIREMENT PLANS (CONTINUED)

Arkansas Teacher Retirement System (Continued)

\$173,923 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	(\$356,116)
2026	(373,424)
2027	(151,531)
2028	(296,805)
2029	0
Thereafter	0

Actuarial Assumptions: A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2023 are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Remaining Amortization Period	30 years
Wage Inflation	2.75%
Salary Increases	2.75% to 5.75%
Investment Rate of Return	7.25%
Mortality Table	Based on the Pub-2010; MP 2020 from 2010mortality table for males and females adjusted for future mortality
Asset Valuation Method	4-year closed period; 20% corridor
Post-Retirement Cost-of-Living Increases	3% Simple
Retirement Age	Actuarial experience study for the period July 1, 2015 – June 30, 2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total Equity	53%	5.0%
Fixed Income	15%	1.8%
Alternatives	5%	4.8%
Real Assets	15%	4.5%
Private Equity	12%	7.3%
Cash Equivalents	0%	1.0%
Total	100%	

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 18: RETIREMENT PLANS (CONTINUED)

Arkansas Teacher Retirement System (Continued)

Single Discount Rate: A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 15.00% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate share of the Net Pension Liability to Changes in the Discount Rate: The following presents the University's proportionate share of the net pension liability using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1.0% Decrease 6.25%	Current Discount 7.25%	1.0% Increase 8.25%
Net Pension Liability	\$ 2,747,094	\$ 1,691,386	\$ 816,123

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's net position is available in the separately issued ATRS financial report.

Arkansas Public Employees Retirement System

Plan description: Southern Arkansas University contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan. APERS is only available to current employees who elected this option prior to July 1, 2012 and to new employees who were members with their previous employer. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The pension plan's fiduciary net position has been determined on the same basis as reported by APERS. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Benefits Provided: Members are considered eligible for full retirement benefits under the following conditions: (1) at age 65 with 5 years of service, (2) at any age with 28 years of actual service, or (3) at age 60 with 20 years of actual service (prior to July 1, 2005). Upon reaching eligibility for retirement, members receive lifetime, monthly annuity benefits from APERS based on age and service. Such annuity benefits are calculated with years of service multiplied by the 3 highest years of salary, adjusted by the appropriate multiplier for contributory/ noncontributory plans. Early retirees receive a reduced annuity. Disability benefits are awarded to members with 5 years of service and are computed based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost of living adjustment of 3% of the current benefit is added each year.

Funding Policy: APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5.5% of their salaries. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current statutory employer rate is 15.32% of annual covered payroll. Southern Arkansas University's contributions to APERS for the years ended June 30, 2024, 2023, and 2022 were \$226,081, \$224,091, and \$221,056, respectively, equal to the required contributions for each year.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 18: RETIREMENT PLANS (CONTINUED)

Arkansas Public Employees Retirement System (Continued)

Pensions Liability, Expense, and Deferred Resources: For the year ended June 30, 2024, Southern Arkansas University recorded .0659% as its proportionate share of the total APERS pension liability, which totaled \$1,921,605. The pension liability was determined by an actuarial valuation as measured on June 30, 2023. The University's proportion of the net pension liability was based on current contributions of all participating employers. For the year ended June 30, 2024, the University recognized pension expense of \$134,701 and total deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,471	\$ 10,556
Changes in assumption	90,339	
Changes in University's proportion and differences between the University's contributions and proportionate share of the University's contributions		206,909
Net difference between projected and actual investment earnings on pension plan investments	239,171	
Contributions subsequent to the measurement date	226,081	
Total	\$ 664,062	\$ 217,465

\$226,081 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	(\$45,341)
2026	3,317
2027	278,681
2028	(16,141)
2029	0
Thereafter	0

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 18: RETIREMENT PLANS (CONTINUED)

Arkansas Public Employees Retirement System (Continued)

Actuarial Assumptions: A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2023 are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, closed
Wage Inflation	3.25%
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Salary Increases	3.25% to 11.00% including inflation
Investment Rate of Return	7.00%
Mortality	Based on PubG-2010; MP-2021 combined health mortality table. The tables applied credibility adjustments of 114% for males and 132% for females and were adjusted for fully generational mortality improvements using scale MP-2021
Asset Valuation Method	Phase-in of differences between actual and assumed market rates of return
Average Service Life of All Members	3.7241
Retirement Age	Actuarial experience study for the period July 1, 2017 – June 30, 2022

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	37.0%	6.19%
International Equity	24.0%	6.77%
Real Assets	16.0%	3.34%
Absolute Return	5.0%	3.36%
Domestic fixed	18.0%	1.79%
Total	100%	

Assumption Changes: Economic assumptions were updated in the June 30, 2023, valuation to a 7.00% investment return assumption and a 3.25% wage inflation assumption.

Single Discount Rate: A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 18: RETIREMENT PLANS (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the University's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1.0% Decrease 6.00%	Current Discount 7.00%	1.0% Increase 8.00%
Net Pension Liability	\$ 3,062,865	\$ 1,921,605	\$ 981,314

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's net position is available in the separately issued APERS financial report.

NOTE 19: SELF INSURANCE PROGRAM

Southern Arkansas University has established a benefit health plan established by Blue Advantage for employees and their eligible dependents. At June 30, 2024, approximately 769 active employees, their dependents and retirees were participating in the program. For employee, employee/spouse, employee/children, and family plans, the University pays approximately 98%, 75%, 78%, and 75%, respectively, based on a tiered salary chart. The University pays 98% for retiree plans until the retiree is eligible for Medicare.

<u>Unpaid Claims Liability</u>	<u>FY 2024</u>
Unpaid Claims, 07-01-23	\$ 347,463
Incurred claims during current year	<u>3,620,100</u>
Current year claims paid	3,233,266
Prior year claims paid	<u>347,463</u>
Total payments	<u>3,580,729</u>
Unpaid Claims, 06-30-24	386,834
15% margin assumption	<u>58,026</u>
Estimated Claims, 06-30-24	<u>\$ 444,860</u>

The health claims liability is calculated in accordance with the Development (or Lag) Method outlined in Actuarial Standard of Practice No. 5, using the historical pattern of claim payments as the continued assumption. The liability also assumes a 15% explicit margin above a best estimate liability. Based on Blue Advantage calculations, the University estimates its medical claims liability to be \$444,860.

The University purchases specific reinsurance to reduce its exposure to large claims. IAT was chosen as the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered members that exceed the \$150,000 specified deductible and the \$50,000 aggregate specific deductible.

NOTE 20: OTHER POST EMPLOYMENT BENEFITS (OPEB)

The University offers post-employment health care and life insurance benefits to all employees who officially retire from the University and meet certain age- and service-related requirements. Health care benefits are offered through Southern Arkansas University's partially self-funded health plan which is administered by Blue Advantage Administrators of Arkansas acting as the third-party administrator. Eligibility for benefits begins upon retirement at or after age 55 with at least 10 years of service. Participants who retire between the ages of 55 and 61 with fewer than 15 years of service or fewer than 75 "points" (age plus years of service) will receive access to group rates only (SAU does not pay for the coverage). For participants who retire after age 55 with 15 years of service and 75 "points", SAU pays for the coverage at the same rates as eligible active employees. For participants who retire at or after age 62 with 10 years of service, SAU pays for the coverage at the same rates as eligible active employees. Medical coverage ceases at members' age 65 or Medicare Eligibility.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 20: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

For eligible retired employees who retired prior to July 1, 2014, the University pays the premium cost for employee only coverage. In addition, the University pays the first \$250 towards coverage for dependents. The retiree pays the remaining cost of dependent coverage, to the extent that it exceeds \$250. For eligible retired employees who will retire after June 30, 2014, Southern Arkansas University pays a maximum of \$504 of the premium cost for employee only or dependent coverage. For fiscal year 2024, the University paid retiree health coverage cost directly to the health insurance fund in the amount of \$816,031.

At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payment	12
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	422
	434

Expenditures for postretirement health care benefits are recognized monthly and financed on a pay-as-you-go basis. The University funds approximately 85% of the postretirement healthcare premiums, which totaled \$831,857 for the fiscal year ended June 30, 2024. The retirees are responsible for funding the remaining 15% of the healthcare premiums.

The Plan is considered a single-employer defined benefit plan and consists of hospital benefits, major medical benefits, life insurance benefits and a prescription drug program. The health care benefits cover medical and hospitalization costs for retirees and their dependents. If the retiree is eligible for Medicare, University coverage is secondary. The authority under which the Plan's benefit provisions are established or amended is the University President. Recommendations for modifications are brought to the President by the Fringe Benefits Committee. Any amendments to the plan are brought to the President by the Fringe Benefits Committee and approved by the President.

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Southern Arkansas University Office of Financial Services, 100 East University MSC 9403, Magnolia AR 71753. The required schedule of funding progress contained in the Required Supplementaary Information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Total OPEB Liability:

Total OPEB liability (TOL) at 06/30/2024	\$2,520,592
Net position at end of year	0
Net OPEB liability (NOL) at 06/30/2024	\$2,520,592

Net position as a percentage of TOL 0%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no. 75.

Sensitivities:

The following shows TOL and NOL using the current discount rate of 4.21%, as well as what the plan's TOL and NOL would be if it were calculated using a discount rate that is 1% lower and 1% higher than the current assumed rate:

	1% Lower Rate	Current Rate	1% Higher Rate
TOL	\$2,758,897	\$2,520,592	\$2,306,750
Net position	0	0	0
NOL at 06/30/2024	\$2,758,897	\$2,520,592	\$2,306,750

The following shows TOL and NOL using the healthcare cost trend rates, as well as what the plan's TOL and NOL would be if it were calculated using trend rates that are 1% lower and 1% higher than the current assumed rates:

	1% Lower Rate	Current Rate	1% Higher Rate
TOL	\$2,249,348	\$2,520,592	\$2,842,221
Net position	0	0	0
NOL at 06/30/2024	\$2,249,348	\$2,520,592	\$2,842,221

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 20: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Additional Disclosure Information:

TOL at 06/30/2023	\$2,610,939
Service cost	248,710
Interest on TOL	104,297
Difference between expected and actual experience, inclusive of any benefit changes and assumptions	372,677
Employer contributions	(816,031)
TOL at 06/30/2024	<u>2,520,592</u>

At June 30, 2024, the University has deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actuarial experience	\$ (777,162)	\$1,214,586
Changes in assumption	(480,230)	214,781
Net difference between projected and actual earnings on OPEB assets	0	0
Total	<u>\$(1,257,392)</u>	<u>\$1,429,367</u>

The University reported no additional deferred outflows of resources resulting from contributions subsequent to the measurement date but chose a measurement date that coincides with the fiscal year end of June 30, 2024. Other amounts reported at June 30, 2024 for deferred outflows/(inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below:

FYE	Balance
2025	4,098
2026	4,098
2027	4,098
2028	4,098
2029	4,098
Thereafter	151,485

OPEB Expense:

OPEB Expense for the fiscal year ending June 30, 2024

1. Service cost (one-year cost for active participants)	\$248,710
2. Interest on TOL = $4.13\% \times 2,610,939 - 4.13\% \times 0.5 \times \$171,161$	104,297
3. Expected return on net position	N/A
4. Amortization of Inflows	(125,907)
5. Amortization of outflows	130,005
6. OPEB expense (sum of above items)	<u>\$357,105</u>

Note that the OPEB expense for this year (implementation year under GASB 74/75) should also include recognition of the Total OPEB Liability shown above.

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2024.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 20: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Valuation Year	July 1, 2023 – June 30, 2024		
Date of Census Data	June 30, 2024		
Discount Rate	4.21% mutual bond yield to maturity rate based on the S&P Municipal Bond 20-year High Grade Rate Index		
Inflation Rate	3.0%		
Mortality Rate	Pri-2012 Mortality Table with Improvement Scale MP-2021		
Inflation Medical (Trend Rates)	7% in year 1, and then decreasing by one-half percentage point per year to an ultimate of 4.0% in year 7 and thereafter.		
Assumed Utilization	50% of eligible future retirees are assumed to elect plan benefits		
Spouse Age Difference	Husbands are assumed to be three years older than wives for current and future retirees who are married.		
Participation Rates	Active employees are assumed to elect the same postretirement health insurance coverage upon retirement.		
Actuarial Cost Method	Liabilities and normal costs under GASB 74/75 shown in this report have been computed using the Entry Age Normal actuarial cost method.		
Retiree Premiums			
Health (monthly rate)	Employee Cost	Employer Cost	Total
Employee	\$ 0	\$ 504	\$ 504
Life Insurance Premiums			
Life (monthly rate)	Employee Cost	Employer Cost	Total
Employee	Based on age	\$ 0	Based on age
Administrative Expenses			
There are no per capita costs for fiscal year ending June 30, 2024 per contract per month.			

**SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 20: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Retirement Rates

Employees are assumed to retire according to the following schedule:

Age	Retirement Rate (less than 28 years of service)	Retirement Rate (28 or more years of service)
48 – 49	0%	50%
50	2%	13%
51	2%	10%
52	3%	9%
53-54	4%	9%
55	6%	9%
56	9%	12%
57	9%	10%
58	9%	11%
59	9%	14%
60-61	100%	14%
62	100%	28%
63 - 64	100%	17%
65	100%	27%
66 - 74	100%	30%
75 and older	100%	100%

Sample Withdrawal and Disability Rates

Employees are assumed to terminate or become disabled according to the following schedule (number per 1000 members):

Age	Terminate Rate (Male)	Terminate Rate (Female)
25	46.0	48.4
30	39.4	44.0
35	32.0	31.0
40	27.0	22.0
45	20.8	20.0
50	16.2	17.0
55	15.0	15.0
60	15.0	15.0
65	15.0	15.0
70	15.0	15.0

NOTE 21: RELATED ORGANIZATIONS

Southern Arkansas University is one of two campuses of the Southern Arkansas University system. The financial statements do not include the assets, liabilities, net position, and changes in net position, relating to the Southern Arkansas University Tech campus.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 22: OTHER COMMITMENTS

The University contracts with Aramark Educational Services, LLC (Aramark) to provide meals to students and catering services to the University. In October 2016, Aramark made a financial commitment to the University in the amount of \$2,150,000 to be used towards the expansion of the existing dining facility, which was substantially complete in August 2017. The financial commitment from Aramark shall be amortized on a straight-line basis over a period of 15 years. Upon termination of this agreement by either Aramark or the University prior to the complete amortization of the financial agreement, the University would be required to reimburse Aramark for the unamortized balance on the date of termination or expiration of the contract. The balance of the financial commitment to the University as of June 30, 2024 is \$979,490.

NOTE 23: PRIVATIZED HOUSING AGREEMENT

The University entered into a privatized housing arrangement containing a ground lease agreement with the SAU Alumni Association in October 2015 and expanded in July 2018. The Housing Facilities Board of Magnolia, Arkansas issued bonds to fund the construction of the housing projects and loaned the bond proceeds to the SAU Alumni Association. The obligation for payment of the bonds was based on the revenue generated by the projects. The University entered into a manage and maintain agreement with the Alumni Association. The University is responsible under the agreement to pay any expenses of the project if there was a revenue shortfall. These types of expenses included utilities, maintenance, management costs, etc. Additionally, in the event that revenues generated by the projects are insufficient to pay maintenance and operation expenses and pay the debt service obligations, the University shall use its unrestricted and legally available student fee and/or auxiliary revenues and assets to supplement the project revenues and satisfy the debt obligations.

NOTE 24: CLASSIFICATION OF EXPENDITURES

The University has utilized the natural classifications of expenses rather than the functional classification of expenses as allowed by GASB Statements No. 34 and No. 35. A comparison of the two classifications is as follows for the year ended June 30, 2024:

	Personal Services	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	\$ 20,350,985		\$ 1,295,579		\$ 21,646,564
Research	207,373		18,874		226,247
Public Service	503,628		250,107		753,735
Academic Support	3,063,645		2,202,096		5,265,741
Student Services	5,579,984		1,824,436		7,404,420
Institutional Support	4,325,182		3,562,349		7,887,531
Operation and Maintenance of Plant	1,766,375		8,003,290		9,769,665
Scholarships and Fellowships		\$ 3,575,698			3,575,698
Auxiliary Enterprises	4,163,997		10,664,708		14,828,705
Other			438,697		438,697
Depreciation				\$ 4,211,908	4,211,908
	<u>\$ 39,961,169</u>	<u>\$ 3,575,698</u>	<u>\$ 28,260,136</u>	<u>\$ 4,211,908</u>	<u>\$ 76,008,911</u>

NOTE 25: ENDOWMENT FUNDS

The University has donor-restricted endowments funds. Investment income on the amount endowed is restricted for scholarships and other purposes. Endowment funds are maintained as cash or cash equivalents and investments. Investments reported at fair value, include U. S. Government obligations, mutual bond funds, mutual equity funds, and other managed investments. The endowment net position at June 30, 2024 was \$5,493,492 and reported as restricted-nonexpendable.

State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established.

It is the University's policy for annual expenses from the endowment funds to be limited to the actual income generated by the endowment fund assets, unless the gift document states otherwise.

SOUTHERN ARKANSAS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 26: RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The University carries commercial insurance for board liability and student athletes. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The University participates in the Arkansas Public Employees Claims Division – Workers' Compensation Program under the Arkansas Department of Insurance. The program is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Division is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against the University. The University usually contributes annually to this program.

Additionally, the University participates in the Arkansas Multi-Agency Insurance Trust (AMAIT) for insurance coverage for property and vehicles. In its administrative capacity, AMAIT is responsible for monitoring, negotiating and settling claims that have been filed against its members. The University pays annual premiums for buildings, contents, and vehicles.

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the University's funds.

NOTE 27: POLLUTION REMEDIATION OBLIGATIONS

In 2006, GASB issued Statement no. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement no. 49 establishes standards for accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Management has determined to begin recognizing a liability at the time that an obligating event exists. At this time no obligation exists.

NOTE 28: LAND AND OTHER REAL ESTATE HELD AS INVESTMENTS BY ENDOWMENTS

In 2007, GASB issued Statement no. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement no. 52 establishes consistent standards for the reporting of land and real estate held as investments by essentially similar entities. At this time the University has no real estate or land held as investments.

NOTE 29: RELATED PARTY TRANSACTIONS

Mr. Monty Harrington is a member of the Board of Trustees of Southern Arkansas University. Mr. Harrington is President of Farmers Bank & Trust in which the University has a majority of its deposits.

NOTE 30: SUBSEQUENT EVENTS

There are no Subsequent Events at this time.

SOUTHERN ARKANSAS UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2024

OTHER POST EMPLOYMENT BENEFITS (OPEB) – Schedule of Changes in Total OPEB Liability

Total OPEB Liability (TOL): *	2024	2023	2022	2021	2020	2019	2018
Service cost	248,710	272,742	338,120	296,002	240,529	155,767	159,527
Interest cost	104,297	94,138	65,258	62,554	85,934	55,816	59,843
Difference between expected and actual experience	387,626	620,393	(515,507)	(81,934)	(202,037)	545,960	(359,729)
Changes in assumptions	(14,949)	(138,199)	(357,770)	32,979	301,666	(112,351)	(1,210)
Benefit changes							
Benefit payments	(816,031)	(1,000,905)	(19,920)	(2,423)	(30,016)	(30,462)	(16,197)
Net change in TOL	(90,347)	(151,831)	(489,819)	307,178	396,076	614,730	(157,766)
Beginning of year TOL	2,610,939	2,762,770	3,252,589	2,945,411	2,549,335	1,934,605	2,092,371
End of year TOL	\$ 2,520,592	\$ 2,610,939	\$ 2,762,770	\$ 3,252,589	\$ 2,945,411	\$ 2,549,335	\$ 1,934,605

Covered employee payroll	\$ 22,478,148	\$ 23,005,765	\$ 24,238,625	\$ 23,674,133	\$ 23,901,814	\$ 24,821,770	\$ 23,815,457
Total OPEB Liability as % of covered payroll	11.21%	11.35%	11.40%	13.74%	12.32%	10.27%	8.12%

*The amounts presented were determined as of June 30, 2024.

Note: Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

*No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no. 75.

SOUTHERN ARKANSAS UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2024

PENSION PLANS – Schedule of the University's Proportionate Share of the Net Pension Liability

Schedule of the University's Proportionate Share of the Net Pension Liability

Arkansas Teacher Retirement System

	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Plan net pension liability - End of year	5,189,155,847	5,278,430,954	2,768,842,672	5,660,881,938	4,171,365,050	3,638,962,119	4,203,863,874	4,411,442,759	3,256,909,830	2,625,006,279
Proportion of the net pension liability	0.0326%	0.0731%	0.0790%	0.0769%	0.0861%	0.1001%	0.0969%	0.0958%	0.0935%	0.0993%
Proportionate share of net pension liability	1,691,386	3,858,691	2,186,979	4,355,662	3,591,661	3,641,944	4,073,808	4,225,903	3,045,991	2,605,513
University covered employee payroll	1,167,985	2,467,978	2,574,196	2,407,317	2,652,088	3,034,541	2,864,765	2,806,637	2,716,298	2,852,303
Proportionate share of the net pension liability as a percentage of covered payroll	144.81%	156.35%	84.96%	180.93%	135.43%	120.02%	142.20%	150.57%	112.14%	91.35%
Plan fiduciary net position as a percentage of the total pension liability	79.94%	78.85%	88.58%	74.91%	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%

Arkansas Public Employee Retirement System

	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Plan net pension liability - End of year	2,914,186,564	2,696,383,462	768,832,302	2,863,584,487	2,412,528,795	2,205,935,052	2,584,140,475	2,391,348,072	1,841,733,371	1,418,912,236
Proportion of the net pension liability	0.0659%	0.0690%	0.0756%	0.0902%	0.0984%	0.1076%	0.1141%	0.1166%	0.1232%	0.1210%
Proportionate share of net pension liability	1,921,605	1,861,311	581,044	2,582,684	2,372,982	2,374,228	2,949,023	2,789,190	2,268,780	1,717,071
University covered employee payroll	1,461,498	1,442,921	1,508,816	1,759,773	1,882,271	2,016,002	2,056,796	2,113,254	2,189,353	2,135,931
Proportionate share of the net pension liability as a percentage of covered payroll	131.48%	129.00%	38.51%	146.76%	126.07%	117.77%	143.38%	131.99%	103.63%	80.39%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

*The amounts presented were determined as of June 30th of the previous year.

SOUTHERN ARKANSAS UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2024

PENSION PLANS – Schedule of University Contributions

Schedule of University Contributions

Arkansas Teacher Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	173,923	175,133	363,964	373,259	342,914	371,293	424,495	402,121	393,222	381,773
Contributions in relation to contractually required contribution	173,923	175,133	363,964	373,259	342,914	371,293	424,495	402,121	393,222	381,773
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
University covered employee payroll	1,159,483	1,167,985	2,467,978	2,574,196	2,407,317	2,652,088	3,034,541	2,864,765	2,806,637	2,716,298
Contributions as a percentage of covered-employee payroll	15.00%	14.99%	14.75%	14.50%	14.24%	14.00%	13.99%	14.04%	14.01%	14.05%

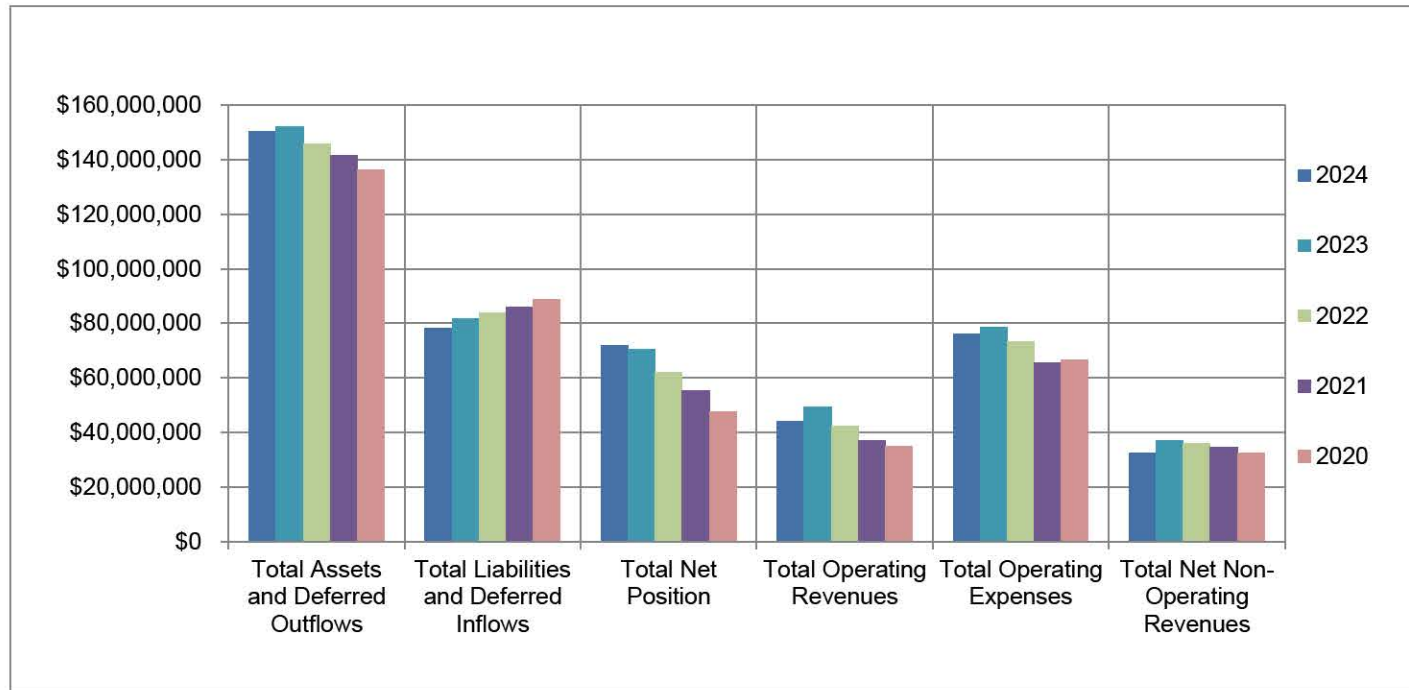
Arkansas Public Employee Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	226,081	224,091	221,056	231,151	269,598	288,364	297,352	298,235	307,826	322,601
Contributions in relation to contractually required contribution	226,081	224,091	221,056	231,151	269,598	288,364	297,352	298,235	307,826	322,601
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
University covered employee payroll	1,475,723	1,461,498	1,442,921	1,508,816	1,759,773	1,882,271	2,016,002	2,056,796	2,113,254	2,189,353
Contributions as a percentage of covered-employee payroll	15.32%	15.33%	15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.57%	14.73%

SOUTHERN ARKANSAS UNIVERSITY
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2024
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2024	2023	2022	2021	2020
Total Assets and Deferred Outflows	\$ 150,294,973	\$ 152,079,310	\$ 145,837,610	\$ 141,497,206	\$ 136,326,928
Total Liabilities and Deferred Inflows	78,355,639	81,809,401	83,701,652	86,040,235	88,717,985
Total Net Position	71,939,334	70,269,909	62,135,958	55,456,971	47,608,943
Total Operating Revenues	44,162,162	49,160,188	42,320,681	37,041,646	34,819,685
Total Operating Expenses	76,008,911	78,413,964	73,256,752	65,536,288	66,607,400
Total Net Non-Operating Revenues	32,576,489	36,962,818	35,808,916	34,424,021	32,298,195
Total Other Revenues, Expenses, Gains or Losses	939,685	424,909	1,744,254	1,918,649	1,132,082



APPENDIX F

Proposed Opinion of Bond Counsel

_____, 2026

Board of Trustees of Southern Arkansas
University
Magnolia, Arkansas

Stephens Inc.
Little Rock, Arkansas

Community First Trust Company, as Trustee
Hot Springs, Arkansas

Assured Guaranty Inc.
New York, New York

Re: \$ _____ Board of Trustees of Southern Arkansas University
Auxiliary Enterprises Secured Capital Improvement Bonds Series 2026

Ladies and Gentlemen:

We have acted as bond counsel to the Board of Trustees of Southern Arkansas University (the “Issuer”) in connection with the issuance by the Issuer of \$ _____ Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2026 (the “Series 2026 Bonds”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Series 2026 Bonds are issued pursuant to the Constitution and laws of the State of Arkansas, including particularly Arkansas Code Annotated §§ 6-62-301 *et seq.*, and a Trust Indenture dated as of January 1, 1999, by and between the Issuer and Community First Trust Company, Hot Springs, Arkansas, as trustee (the “Trustee”) as previously supplemented and as supplemented pursuant to the Supplemental Trust Indenture dated as of [____], 2026 and a Trust Indenture dated June 15, 2014, by and between the Issuer and the Trustee (collectively, the “Indenture”). Under the Indenture, the Issuer has pledged certain revenues (the “Revenues”) for the payment of the principal of and interest on the Series 2026 Bonds when due.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Indenture and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer is validly existing as a body corporate and politic and public instrumentality of the State of Arkansas with the power to execute and deliver the Indenture, perform the agreements on its part contained therein, and issue the Series 2026 Bonds.

2. The Indenture has been duly executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Series 2026 Bonds and other bonds (if any) to be issued under the Indenture. The lien on the Revenues is on parity of security with a pledge to: the Issuer's Auxiliary Enterprises Secured Refunding Bonds, Series 2016; the Issuer's Auxiliary Enterprises Secured Capital Improvement Bonds, Series 2017; the Issuer's Auxiliary Enterprises Secured Capital Improvement and Refunding Bonds, Series 2018 B; and the Issuer's Auxiliary Enterprises Secured Refunding Bonds, Series 2019 B.

4. The Series 2026 Bonds have been duly authorized, executed, and delivered by the Issuer and are valid and binding general obligations of the Issuer, secured by and payable from the Revenues and other funds provided therefor in the Indenture. Neither the general credit nor the taxing power of the State of Arkansas, or any political subdivision thereof, is pledged to the payment of the Series 2026 Bonds. The Issuer has no taxing power.

5. Interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Series 2026 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2026 Bonds.

6. The Series 2026 Bonds and interest thereon are exempt from all state, county, and municipal taxes in the State of Arkansas.

It is to be understood that the rights of the holders of the Series 2026 Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Rose Law Firm, a Professional Association

APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)