NEW ISSUE
Book-Entry Only

Rating: S&P: A-
Stable Outlook
See "RATING" herein

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Series 2018 Bonds (including any original issue discount properly allocable to an owner thereof) 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, (2) the interest on the Series 2018 Bonds is exempt from income taxation by the State of Missouri and (3) the Series 2018 Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "**TAX MATTERS**" in this Official Statement.*

KANSAS CITY ART INSTITUTE

$22,085,000
HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI EDUCATIONAL FACILITIES REVENUE BONDS (KANSAS CITY ART INSTITUTE) SERIES 2018

Dated: Date of Delivery **Due: September 1, as shown on the inside cover page**

The Series 2018 Bonds are issuable only in the denomination of $5,000 or any integral multiple thereof. Principal of, redemption premium, if any, and interest on the Series 2018 Bonds will be paid from moneys available therefor under the Bond Indenture (herein defined) by Commerce Bank, Kansas City, Missouri, as Bond Trustee and paying agent. Interest on the Series 2018 Bonds will be payable on each March 1 and September 1, beginning on September 1, 2018. The Series 2018 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases will be made in book-entry-only form and no physical delivery of the Series 2018 Bonds will be made to Beneficial Owners (as herein defined). Payment of principal or redemption price of and interest on the Series 2018 Bonds will be made by the Trustee to Cede & Co., as nominee of DTC, and will subsequently be disbursed to Direct Participants (as herein defined) and thereafter to Beneficial Owners (as herein defined). See "THE SERIES 2018 BONDS" herein.

The Series 2018 Bonds are subject to optional, extraordinary optional, and mandatory sinking fund redemption prior to maturity as described herein.

THE SERIES 2018 BONDS AND THE INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI (THE "AUTHORITY") AND ARE SECURED BY A PLEDGE AND ASSIGNMENT OF SUCH LOAN PAYMENTS DERIVED BY THE AUTHORITY UNDER THE HEREIN DESCRIBED LOAN AGREEMENT AND ARE SECURED BY A PLEDGE AND ASSIGNMENT OF SUCH LOAN PAYMENTS AND OTHER FUNDS AS PROVIDED IN THE HEREIN DEFINED BOND INDENTURE.

The Series 2018 Bonds shall not be deemed to constitute a debt or liability of the State of Missouri (the "State") or of any political subdivision thereof and shall not constitute a pledge of the full faith and credit of the State or of any political subdivision thereof, but shall be payable solely from the funds provided for in the loan agreement and in the bond indenture. The issuance of the Series 2018 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

The Series 2018 Bonds are subject to certain risks. See "BONDOWNERS' RISKS."

The Series 2018 Bonds are being offered by the Underwriter when, as, and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality thereof by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Thompson Coburn LLP, St. Louis, Missouri; for the Institute by Bryan Cave Leighton Paisner LLP, Kansas City, Missouri, and for the Underwriter by Ballard Spahr LLP, Philadelphia, Pennsylvania. It is expected that the Series 2018 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about July 31, 2018.

George K. Baum & Company

The date of this Official Statement is July 11, 2018.

MATURITY SCHEDULE

$22,085,000

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI EDUCATIONAL FACILITIES REVENUE BONDS (KANSAS CITY ART INSTITUTE) SERIES 2018

MATURITY SCHEDULE

Maturity (September 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP No** (60636A)
2024	$ 75,000	4.000%	107.536	2.650%	PX5
2025	150,000	4.000	107.659	2.800	PY3
2026	210,000	4.000	107.724	2.920	PZ0
2027	255,000	4.000	107.732	3.020	QA4
2028	315,000	4.000	108.100	3.060	QB2
2029	370,000	5.000	115.873*	3.150*	QC0
2030	445,000	5.000	114.940*	3.250*	QD8
2031	520,000	5.000	114.478*	3.300*	QE6
2032	595,000	5.000	114.109*	3.340*	QF3
2033	670,000	5.000	113.742*	3.380*	QG1

$4,590,000 5.00% Term Bond due September 1, 2038 Price: 112.830%* Yield: 3.480%* CUSIP** 60636A QH9
$6,080,000 5.00% Term Bond due September 1, 2043 Price: 112.107%* Yield: 3.560%* CUSIP** 60636A QJ5
$7,810,000 5.00% Term Bond due September 1, 2048 Price: 111.300%* Yield: 3.650%* CUSIP** 60636A QK2

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* Price and yield to the first optional redemption date of September 1, 2028

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the bondholders, and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to change after the issuance of the Series 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2018 Bonds.

REGARDING USE OF THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Health and Educational Facilities Authority of the State of Missouri (the "***Authority***") and Kansas City Art Institute (the "***Institute***") from time to time (collectively, the "***Official Statement***"), may be treated as an Official Statement with respect to the Series 2018 Bonds described herein that is deemed final by the Institute as of the date hereof (or of any such supplement or amendment).

No dealer, broker, salesman or other person has been authorized by the Authority, the Institute or by the Underwriter, to give information or make any representation other than those contained in this Official Statement and, if given or made, such information or representations with respect to the Authority, the Institute or the Series 2018 Bonds must not be relied upon as having been authorized by the Authority, the Institute or the Underwriter. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. Where statutes, reports, court decisions or other documents are summarized or otherwise referred to herein, reference should be made to such statutes, reports, court decisions or other documents for more complete information regarding the rights and obligations or parties thereto, facts and opinions contained therein and the subject matter thereof. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of that information and makes no representations concerning such information.

Except for information concerning the Authority that appears in the sections captioned "THE AUTHORITY" and "LITIGATION - The Authority," none of the information in this Official Statement has been supplied or verified by the Authority, and the Authority makes no representation or warranty, express or implied, as to the accuracy of that information.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Institute, since the date as of which information is given in this Official Statement.

In connection with the offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the securities offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NO REGISTRATION STATEMENT RELATING TO THE SERIES 2018 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR WITH ANY STATE SECURITIES AGENCY. THE SERIES 2018 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES AGENCY, NOR HAS THE COMMISSION OR ANY STATE SECURITIES

AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE BONDS BY ANY PERSON 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 WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "projected," "budget," or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THE "BONDOWNERS' RISKS" SECTION OF THIS OFFICIAL STATEMENT. NEITHER THE INSTITUTE NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS, OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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OFFICIAL STATEMENT

$22,085,000
Health and Educational Facilities Authority of the State of Missouri
Educational Facilities Revenue Bonds
(Kansas City Art Institute) Series 2018

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of material in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality, or relative importance, and this Official Statement, including the Cover Page and Appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in ***"APPENDIX C – Definitions of Certain Terms and Summaries of Certain Documents."***

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page hereof and the Appendices hereto, is to furnish certain information relating to (a) the Health and Educational Facilities Authority of the State of Missouri (the *"**Authority**"*), (b) the Authority's Educational Facilities Revenue Bonds (Kansas City Art Institute) Series 2018 in the aggregate principal amount of $22,085,000 (the *"**Series 2018 Bonds**"*), and (c) Kansas City Art Institute (the *"**Institute**"*), its facilities and operations.

The Authority

The Authority is a body politic and corporate and a public instrumentality of the State of Missouri (the *"**State**"*), created and existing under the Missouri Health and Educational Facilities Authority Act, Chapter 360 of the Revised Statutes of Missouri (the *"**Act**"*). See **"THE AUTHORITY"** herein.

The Institute

The Institute is a nonprofit corporation, organized and existing under the laws of the State, and is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Institute owns and operates a private, independent college of visual art and design located in Kansas City, Missouri. See **"THE INSTITUTE"** and **"APPENDIX A – Information Regarding Kansas City Art Institute"**.

The Series 2018 Bonds

The Series 2018 Bonds are being issued pursuant to the Act and a Bond Trust Indenture dated as of July 1, 2018 (the *"**Bond Indenture**"*) between the Authority and Commerce Bank, Kansas City, Missouri, as Bond Trustee (the *"**Bond Trustee**"*), for the purpose of providing funds to make a loan to the Institute, pursuant to a Loan Agreement dated as of July 1, 2018 (the *"**Loan Agreement**"*) between the Authority and the Institute. The proceeds of the Series 2018 Bonds and other moneys of the Institute will be used to (a) refund the Authority's Variable Rate Demand Educational Facilities Revenue Bonds (Kansas City Art Institute), Series 2005 (Adjustable) (the "***Series 2005 Bonds***") previously issued to finance and refinance certain educational facilities of the Institute, (b) finance and reimburse costs of acquiring, improving, renovating, equipping and furnishing certain educational facilities of the Institute located on the Institute's campus in Kansas City, Missouri (the *"**Project**"*) and (c) pay certain costs related to the issuance of the Series 2018 Bonds. A description of the Series 2018 Bonds is contained in this Official Statement under the caption **"THE SERIES 2018 BONDS."** All references to the Series 2018 Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Loan Agreement and the Bond Indenture. A description of the estimated sources and uses of funds and a description of the Project are contained in this Official Statement under the caption **"PLAN OF FINANCING."**

Additional Parity Bonds and Parity Obligations

The Bond Indenture provides for the issuance of additional parity bonds from time to time (the "***Parity Bonds***") on a parity with the Series 2018 Bonds. The Series 2018 Bonds and any Parity Bonds hereafter issued under the Bond Indenture are referred to herein collectively as the "***Bonds***." The Bond Indenture also permits the Institute to incur parity obligations ("***Parity Obligations***") on the terms and conditions provided for in the Bond Indenture and in the Loan Agreement on a parity with the Series 2018 Bonds and any Parity Bonds hereafter issued. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS — Parity Bonds and Parity Obligations**" herein.

Security for the Series 2018 Bonds

General. The Series 2018 Bonds and the interest thereon will be special, limited obligations of the Authority payable (except to the extent paid out of Series 2018 Bond proceeds or the income from the temporary investment thereof and under certain circumstances from insurance proceeds and condemnation awards) solely out of the Loan Payments derived by the Authority under the Loan Agreement (except for fees and expenses payable to the Authority and the Authority's right to indemnification as set forth in the Loan Agreement). No debt service reserve will be established for the Series 2018 Bonds. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS"**.

Unrestricted Receivables. To secure the Loan Payments and the performance of the duties and obligations of the Institute under the Loan Agreement, the Institute has pledged and assigned to the Authority, its successors, and assigns, and has granted a security interest in, all Unrestricted Receivables of the Institute. So long as the Institute makes when due and payable all Loan Payments, all payments of principal of and interest on Parity Obligations, and all Additional Payments required by the Loan Agreement, the Institute shall be entitled to utilize its Unrestricted Receivables for its proper corporate purposes. See **"APPENDIX C: Definitions of Certain Terms and Summaries of Certain Documents – Summary of the Loan Agreement."**

No mortgage on the Institute's facilities will be granted to secure the Series 2018 Bonds.

Financial Statements

Audited financial statements of the Institute, as of and for the fiscal years ended June 30, 2017 and 2016, are included in **"APPENDIX B – Audited Financial Statements for Fiscal Years Ended June 30, 2017 and 2016"** hereto. The financial statements have been audited by BKD LLP, independent auditors, to the extent and for the periods indicated in their report, which is also included therein. The Institute did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the June 30, 2017 financial statements.

Bondowners' Risks

Payment of the principal of and interest on the Series 2018 Bonds is dependent upon revenues to be derived from the operations of the Institute. Certain risks are inherent in the production of such revenues. See **"BONDOWNERS' RISKS"** herein for a discussion of certain risks.

Continuing Disclosure

The Institute will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain material events. The form of the Continuing Disclosure Certificate is included in **"APPENDIX E – Form of Continuing Disclosure Certificate"** hereto.

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Series 2018 Bonds or to any decision to purchase, hold or sell the Series 2018 Bonds and the Authority will not provide any such information. The Institute has undertaken all responsibilities for any continuing disclosure to Bondowners, and the Authority shall have no liability to the owners of the Series 2018 Bonds or any other person with respect to Rule 15c2-12 (the "***Rule***") of the Securities and Exchange Commission.

Definitions and Summary of Legal Documents

Definitions of certain words and terms used in this Official Statement and summaries of the Bond Indenture and the Loan Agreement are included in **"APPENDIX C – Definitions of Certain Terms and Summaries of Certain Documents"** hereto. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the offices of the Underwriter or will be provided to any prospective purchaser requesting the same, and following delivery of the Series 2018 Bonds will be on file at the office of the Bond Trustee.

THE AUTHORITY

Organization and Powers

The Authority is a body politic and corporate and a public instrumentality duly organized and existing under the laws of the State of Missouri, including particularly the Act.

The Authority is empowered under the Act to make loans to any participating health or educational institution to finance the cost of health or educational facilities, to refinance outstanding obligations, mortgages or advances issued, made or given for the cost of such facilities, and to refund bonds of the Authority issued for such purposes. The Authority may issue its bonds, notes or other obligations for any of its corporate purposes. Missouri law requires that the State shall not be liable in any event for the payment of the principal of, interest on, or, if applicable, any redemption premium, on any bonds of the Authority or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Authority and no breach of any such pledge, mortgage, obligation or agreement may impose any pecuniary liability upon the State or any charge upon the general credit or taxing power of the State. The Authority has no taxing power.

Members

The Act provides that the Authority shall consist of seven members who are to be appointed by the governor of the State with the advice and consent of the State Senate. Each member must be a resident of the State and not more than four members of the Authority may be of the same political party. Initial members were appointed to staggered terms of office, and successor members are appointed for terms of five years. Members continue to serve after expiration of their terms until a successor is appointed and qualified or they are reappointed.

The current members of the Authority and their offices are as follows:

Joseph A. Cavato – Chair and Member. Mr. Cavato, a resident of University City, Missouri, is owner of JAC Consulting, LLC, provider of consulting and advisory services. Term as a Member expired July 30, 2013.

Jeffrey D. Byrne – Vice Chair and Member. Mr. Byrne, a resident of Kansas City, Missouri, is Founder and CEO of Jeffrey Byrne & Associates, Inc., a fundraising and financial development firm specializing in non-profit organizations. Term as a Member expires July 30, 2019.

Thomas E. George – Treasurer and Member. Mr. George, a resident of St. Louis, Missouri, is the retired President of the International Brotherhood of Electrical Workers (IBEW) Local One in St. Louis. Term as a Member expired July 30, 2015.

Sarah R. Maguffee – Member. Ms. Maguffee, a resident of Columbia, Missouri, is an attorney and Law Clerk for Judge Karen King Mitchell, Missouri Court of Appeals, Western District. Term as a Member expired July 30, 2013.

Judith W. Scott – Member. Ms. Scott, a resident of Poplar Bluff, Missouri, is the Executive Director of the Three Rivers Community College Foundation. Term as a Member expired July 30, 2011.

Under the Act, Ms. Scott, Ms. Maguffee, Mr. George and Mr. Cavato continue to serve as members of the Authority until reappointed or a successor is appointed and qualified. There are currently two vacancies.

Executive Director

Michael J. Stanard serves as Executive Director and Secretary of the Authority. Mr. Stanard has served as Executive Director since May 1, 1998.

Representatives

Thompson Coburn LLP, St. Louis, Missouri, serves as general counsel to the Authority.

Columbia Capital Management, LLC, Overland Park, Kansas, serves as financial advisor to the Authority.

The Authority's general counsel and financial advisor represent and advise the Authority and not the Institute or the owners of the Series 2018 Bonds.

Indebtedness of the Authority

The Authority has previously sold and delivered numerous series of bonds and notes for participating health or educational institutions other than the Institute secured by instruments separate and apart from the instruments issuing and securing the Series 2018 Bonds. The owners of such other bonds and notes have no claim on the assets, funds or revenues of the Authority securing the Series 2018 Bonds and the owners of the Series 2018 Bonds will have no claim on assets, funds or revenues of the Authority securing such other bonds and notes.

The Authority intends in the future to enter into separate agreements with participating health or educational institutions in the State other than the Institute for the purpose of providing financing for eligible projects and programs. Issues that may be sold by the Authority in the future for participating health or educational institutions other than the Institute will be created under separate and distinct indentures or resolutions and will be secured by instruments, properties and revenues separate from those securing the Series 2018 Bonds.

EXCEPT FOR INFORMATION CONCERNING THE AUTHORITY IN THE SECTIONS OF THIS OFFICIAL STATEMENT CAPTIONED "THE AUTHORITY" AND "LITIGATION – THE AUTHORITY", NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE AUTHORITY AND THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE INSTITUTE

The Institute is a nonprofit corporation, organized and existing under the laws of the State of Missouri, and is a tax-exempt organization described in Section 501(c)(3) of the Code. The Institute owns and operates a private, independent college of visual art and design offering the Bachelor of Fine Arts degree in a variety of disciplines. Founded in 1885, the Institute is Kansas City's oldest cultural institution. See **"APPENDIX A – Information Regarding Kansas City Art Institute"** hereto.

PLAN OF FINANCING

General

The proceeds of the Series 2018 Bonds will be loaned by the Authority to the Institute pursuant to the Loan Agreement. The Institute will use such proceeds, together with other funds of the Institute, to (a) refund the Series 2005 Bonds, (b) finance and reimburse the costs of acquiring, improving, renovating, equipping and furnishing the Project and (c) pay certain costs related to the issuance of the Series 2018 Bonds, in consideration of payments by the Institute, which will be sufficient to pay the principal of, redemption premium, if any, and the interest on the Series 2018 Bonds.

Project

The Project will include (1) construction, furnishing and equipping of a new student housing building, (2) renovation, furnishing and equipping of the existing student living center, and (3) other miscellaneous capital improvements to the educational facilities of the Institute on its campus in Kansas City, Missouri.

Sources and Uses of Funds

The following is a summary of the estimated sources of funds, including the proceeds of the Series 2018 Bonds, and the uses of such funds in connection with the plan of financing:

Sources of Funds:	
Principal amount of the Series 2018 Bonds	$22,085,000.00
Original Issue Premium	2,662,643.75
Fundraising Pledges for the Project and Institute Equity	32,603,068.33
Total Sources of Funds	$57,350,712.08
Uses of Funds:	
Refunding of Series 2005 Bonds	$10,523,519.04
Payment of Project Costs	46,500,000.00
Costs of issuance [(1)]	327,193.04
Total Uses of Funds	$57,350,712.08

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(1) Includes Underwriter's discount and amounts to be paid for Authority related fees, Bond Trustee fees, rating agency fees, legal counsel fees, printing costs and other fees and expenses.

THE SERIES 2018 BONDS

The following is a summary of certain terms and provisions of the Series 2018 Bonds. Reference is hereby made to the Series 2018 Bonds and the provisions with respect thereto in the Bond Indenture and the Loan Agreement for the detailed terms and provisions thereof.

General Terms

The Series 2018 Bonds are being issued in the aggregate principal amount of $22,085,000, are dated the date of issuance, mature on September 1 in the years and principal amounts shown on the inside front cover, and will bear interest (computed on the basis of a 360-day year of twelve 30-day months) from the date thereof or from the most recent interest payment date to which interest has been paid, payable semiannually on March 1 and September 1 of each year, beginning on September 1, 2018. The Series 2018 Bonds are being issued as fully registered bonds without coupons in the denominations of $5,000 and any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("***DTC***"), New York, New York. Purchases of beneficial interests in the Series 2018 Bonds will be made in book-entry only form (as described below under the caption **"THE SERIES 2018 BONDS - Book-Entry Only System"**). Purchasers of the Series 2018 Bonds will not receive certificates representing their interests in the Series 2018 Bonds purchased.

The Bond Trustee will act as paying agent for the purpose of effecting payment of the principal of, redemption premium, if any, and interest on the Series 2018 Bonds. The principal of, redemption premium, if any, and interest on the Series 2018 Bonds will be payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for the payment of public and private debts. The principal of and the redemption premium, if any, on all Series 2018 Bonds will be payable by check or draft at maturity or upon earlier redemption to the Persons in whose names such Series 2018 Bonds are registered on the Bond Register at the maturity or redemption date thereof, upon the presentation and surrender of such Series 2018 Bonds at the principal corporate trust office or at such other office designated by the Bond Trustee for such purpose.

So long as any of the Series 2018 Bonds are in book-entry form, the principal, redemption premium, if any, and interest on such Series 2018 Bonds are payable by check or draft mailed, or wire transfer, to Cede & Co. as registered owner thereof and will be redistributed by DTC and the Participants as described below under the caption **"Book-Entry Only System."**

Book-Entry Only System

General. The Series 2018 Bonds are available in book-entry only form. Purchasers of the Series 2018 Bonds will not receive certificates representing their interests in the Series 2018 Bonds. Ownership interests in the Series 2018 Bonds will be available to purchasers only through a book-entry system (the "***Book-Entry System***") maintained by The Depository Trust Company, New York, New York.

The following information concerning DTC and DTC's Book-Entry System has been obtained from DTC. The Authority, the Institute and the Underwriter take no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners of the Series 2018 Bonds should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

DTC will act as securities depository for the Series 2018 Bonds. The Series 2018 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 each series of the Series 2018 Bonds, each in the aggregate principal amount of that maturity, as applicable, and will be deposited with DTC or the Paying Agent/Registrar as its FAST Agent.

DTC and its Participants. 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***" and, together with the Direct Participants, the "***Participants***"). DTC has a Standard & Poor's rating of AA+. 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*.

Purchase of Ownership Interests. Purchases of the Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 Bond (the "***Beneficial Owner***") is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2018 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. All payments of principal, of premium, if any, and interest on the Series 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Bond Trustee, or the Authority, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2018 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered as described in the Bond Indenture.

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

None of the Institute, the Underwriter, the Bond Trustee, nor the Authority will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Series 2018 Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Indenture to be given to owners of the Series 2018 Bonds; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2018 Bonds; or (v) any consent given or other action taken by DTC as bondholder.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2018 Bonds, but neither the failure to print such numbers on any Series 2018 Bonds, nor any error in the printing of such numbers, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2018 Bonds.

Redemption Prior to Maturity

The Series 2018 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption prior to maturity as follows:

Optional Redemption. The Series 2018 Bonds maturing on or after September 1, 2029 are subject to redemption and payment prior to maturity, at the written direction of the Institute, on and after September 1, 2028, in whole or in part on any date at a redemption price equal to 100% of the stated principal amount of the Bonds to be redeemed, plus accrued interest thereon to the redemption date.

Extraordinary Optional Redemption. The Series 2018 Bonds are subject to redemption and payment prior to the stated maturity thereof, at the written direction of the Institute, in whole or in part on any date, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, upon the occurrence of any of the following events:

(1) all or a substantial portion of the facilities financed or refinanced with the proceeds of the Series 2018 Bonds are damaged or destroyed by fire or other casualty, or title to, or the temporary use of, all or a substantial portion of such facilities are condemned or taken for any public or quasi-public use by any authority exercising the power of eminent domain or title thereto is found to be deficient, to such extent that in the determination of the Institute (A) such facilities cannot be reasonably restored or replaced to the condition thereof preceding such event, or (B) the Institute or any affiliate is thereby prevented from carrying on its normal operations of such facilities, or (C) the cost of restoration

or replacement thereof would exceed the Net Proceeds of any casualty insurance, title insurance or condemnation awards with respect thereto; or

(2) as a result of any changes in the Constitution of the State of Missouri or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final direction, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Institute in good faith, the Bond Indenture or the Loan Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein, or unreasonable burdens or excessive liabilities are imposed upon the Institute with respect to such facilities or the operation thereof.

Mandatory Sinking Fund Redemption. The Series 2018 Bonds are subject to mandatory sinking fund redemption and payment prior to maturity on September 1 in each of the years set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Series 2018 Term Bonds Maturing on September 1, 2038

Year	**Principal Amount**
2034	$760,000
2035	845,000
2036	945,000
2037	995,000
2038 (maturity)	1,045,000

Series 2018 Term Bonds Maturing on September 1, 2043

Year	**Principal Amount**
2039	$1,095,000
2040	1,155,000
2041	1,215,000
2042	1,275,000
2043 (maturity)	1,340,000

Series 2018 Term Bonds Maturing on September 1, 2048

Year	**Principal Amount**
2044	$1,410,000
2045	1,480,000
2046	1,560,000
2047	1,640,000
2048 (maturity)	1,720,000

The Bond Trustee will make timely selection of such Series 2018 Bonds or portions thereof to be redeemed pursuant to the terms of the Bond Indenture in $5,000 units of principal amount in such equitable manner as the Bond Trustee determines and will give notice thereof without further instructions from the Authority or the Institute. At the option of the Institute, to be exercised on or before the 35th day next preceding each mandatory sinking fund redemption date, the Institute may (1) deliver to the Bond Trustee for cancellation Series 2018 Bonds in the aggregate principal amount desired, (2) furnish to the Bond Trustee funds, together with appropriate instructions, for the purpose of purchasing any Series 2018 Bonds from any Owner thereof in the open market at a price not in excess of 100% of the principal amount thereof, whereupon the Bond Trustee will use its best efforts to expend such funds for such purposes, or (3) elect to receive a credit in respect to the mandatory sinking fund redemption obligation as described in this paragraph for any Series 2018 Bonds which prior to such date have been redeemed (other than through the operation of the requirements described in this paragraph) and cancelled by the Bond Trustee and not theretofore applied as a credit against any redemption obligation as described in this paragraph. Each Series 2018 Bond so delivered or previously purchased or redeemed will be credited at 100% of the principal amount thereof on the obligation to redeem Series 2018 Bonds of the same series and maturity on the next mandatory sinking fund redemption date applicable to Series 2018 Bonds of such series and maturity that is at least 35 days after receipt by the Bond Trustee of such instructions from the Institute, and any excess of such amount shall be credited on future mandatory sinking fund redemption obligations for Series 2018 Bonds of the same series and maturity in chronological order or such other order as the Institute may designate, and the principal amount of Series 2018 Bonds to be redeemed on such future mandatory sinking fund redemption dates by operation of the requirements as described in this paragraph shall be reduced accordingly. If the Institute intends to exercise any option described in the provisions of clauses (1), (2) or (3) of this paragraph, the Institute will, on or before the 35th day next preceding the applicable mandatory sinking fund redemption date, furnish the Bond Trustee an Officer's Certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with in respect to such mandatory sinking fund redemption payment.

Selection of Bonds to be Redeemed. Series 2018 Bonds may be redeemed only in the minimum authorized denomination of $5,000 or any integral multiple thereof. Series 2018 Bonds that are to be redeemed pursuant to optional redemption provisions will be selected from the maturity or maturities selected by the Institute. If less than all Series 2018 Bonds of any maturity are to be redeemed, the particular Series 2018 Bonds to be redeemed will be selected by the Bond Trustee from the Series 2018 Bonds of such maturity which have not previously been called for redemption, by lot or such other equitable manner as the Bond Trustee may determine and which may provide for the selection for redemption of portions of the principal of Series 2018 Bonds equal to the minimum authorized denomination of the Series 2018 Bonds of a denomination larger than the minimum authorized denomination.

Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, official notice of any such redemption will be given by the Bond Trustee by first class mail or prepaid overnight delivery service, at least 20 days prior to the redemption date to each Registered Owner of the Series 2018 Bonds to be redeemed at the address shown on the Bond Register. The failure of any Owner of Bonds to receive such notice, or any defect therein, will not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as described above will be conclusively presumed to have been duly given and will become effective upon mailing, whether or not any Owner receives such notice.

In addition to the foregoing notice, the Bond Trustee will give further notice by first class mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series 2018 Bonds and by facsimile to one or more national information services that disseminate notices of redemption of obligations such as the Series 2018 Bonds. 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 a call for redemption if notice thereof is given to the Registered Owners of the Series 2018 Bonds as above described.

So long as the Securities Depository is effecting book-entry transfers of the Series 2018 Bonds, the Bond Trustee will provide the notices described above only to the Securities Depository. It is expected that the Securities Depository will, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2018 Bond to notify the Beneficial Owner of the Series 2018 Bond so affected, will not affect the validity of the redemption of such Series 2018 Bond.

Certain Covenants

In the Loan Agreement, the Institute has agreed to follow certain covenants for so long as Bonds are issued and outstanding. See **"APPENDIX C: Definitions of Certain Terms and Summaries of Certain Documents – Summary of the Loan Agreement"** hereto.

Restrictions on Disposition of Property. In the Loan Agreement, the Institute agrees to certain restrictions upon its ability to sell, lease, or otherwise dispose of its Property.

Rate Covenant. In the Loan Agreement, the Institute covenants and agrees to set and maintain rates, fees, and charges for its facilities and services such that the Historical Debt Service Coverage Ratio, as calculated at the end of each Fiscal Year, equals at least 1.00.

Additional Indebtedness. In the Loan Agreement, the Institute agrees that it will not incur Long-Term Indebtedness unless it demonstrates that either (1) after giving effect to the incurrence of such Long-Term Indebtedness, the Historical Pro Forma Debt Service Coverage Ratio for each of the two most recent fiscal years for which audited financial statements are available equaled or exceeded 1.15; or (2) the Historical Debt Service Coverage Ratio for each of the two most recent fiscal years for which audited financial statements are available equaled or exceeded 1.00 and the Projected Debt Service Coverage Ratio for each of the first two fiscal years following the incurrence of such Long-Term Indebtedness or, if such Indebtedness is being incurred in connection with the financing of facilities, the two fiscal years succeeding the projected completion date of such facilities, is projected to equal or exceed 1.10; or (3) the Maximum Annual Debt Service requirement with respect to all outstanding Long-Term Indebtedness immediately after the incurrence of the proposed Long-Term Indebtedness does not exceed an amount equal to 12% of the Revenues of the Institute for the most recent fiscal year for which audited financial statements are available.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS

Special, Limited Obligations

The Series 2018 Bonds and the interest thereon will be special, limited obligations of the Authority payable (except to the extent paid out of Series 2018 Bond proceeds or the income from the temporary investment thereof and under certain circumstances from insurance proceeds and condemnation awards) solely out of the Loan Payments derived by the Authority under the Loan Agreement (except for fees and expenses payable to the Authority and the Authority's right to indemnification as set forth in the Loan Agreement), and are equally and ratably secured by a transfer, pledge, and assignment of and a grant of a security interest in the Trust Estate to the Bond Trustee and in favor of the Owners of the Series 2018 Bonds, as provided in the Bond Indenture.

The Series 2018 Bonds and interest thereon will not be deemed to constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any state constitutional provision or statutory limitation and will not constitute a pledge of the full faith and credit of the State or of any political subdivision thereof, but will be payable solely from the funds provided for in the Loan Agreement and in the Bond Indenture. The issuance of the Series 2018 Bonds will not, directly, indirectly, or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The State will not in any event be liable for the payment of the principal of, redemption premium, if any, or interest on the Series 2018 Bonds or for the performance of any pledge, mortgage, obligation, or agreement of any kind whatsoever which may be undertaken by the Authority. No breach by the Authority of any such pledge, mortgage, obligation, or agreement may impose any liability, pecuniary or otherwise, upon the State of Missouri or any charge upon its general credit or against its taxing power. The Authority has no power to tax.

General

Under the Loan Agreement, the Institute is required to make Loan Payments to the Bond Trustee for deposit into the Debt Service Fund in amounts sufficient to pay the principal of and interest on the Series 2018 Bonds when due. The loan will be evidenced by the Institute's Promissory Note, Series 2018 (the "***Series 2018 Note***") in the aggregate principal amount of $22,085,000 to be issued under the Loan Agreement concurrently with the original issuance of the Series 2018 Bonds. The Institute's obligations to make Loan Payments and to pay other amounts under the Loan Agreement are absolute and unconditional without any abatement or diminution thereof. See **"APPENDIX C: Definitions of Certain Terms and Summaries of Certain Documents – Summary of the Loan Agreement"**.

Under the Bond Indenture, the Authority will pledge and assign to the Bond Trustee, for the benefit of the Bondowners, the Trust Estate as security for the payment of the principal of and interest on the Series 2018 Bonds. The Series 2018 Bonds will be equally and ratably secured under the Bond Indenture on a parity with any other Parity Bonds hereafter issued under the Bond Indenture, which assigns and pledges to the Bond Trustee the following: (a) all right, title and interest of the Authority in, to, and under (1) the Loan Agreement, including, without limitation, all Loan Payments and other payments to be received by the Authority and paid by the Institute under and pursuant to and subject to the provisions of the Loan Agreement (except the Authority's rights to payment of its fees and expenses and to indemnification and as otherwise expressly set forth in the Loan Agreement), (2) the Series 2018 Note, and (3) all financing statements or other instruments or documents evidencing, securing, or otherwise relating to the loan of the proceeds of the Series 2018 Bonds or any Parity Bonds, (b) all cash and securities (except moneys and securities held in the Rebate Fund) from time to time held by the Bond Trustee in the funds and accounts under the terms of the Bond Indenture, and (c) any and all other property (real, personal, or mixed) of every kind and nature from time to time pledged, assigned, or transferred as and for additional security under the Bond Indenture by the Authority or by anyone in its behalf or with its written consent, to the Bond Trustee, which is authorized under the Bond Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms thereof. See **"APPENDIX C: Definitions of Certain Terms and Summaries of Certain Documents – Summary of the Bond Indenture"** hereto.

No Debt Service Reserve Fund

There will be no debt service reserve established for the Series 2018 Bonds.

Unrestricted Receivables

To secure the Loan Payments and the performance of the duties and obligations of the Institute under the Loan Agreement, the Institute has pledged and assigned to the Authority and its successors and assigns and has granted a security interest in all Unrestricted Receivables of the Institute. So long as the Institute makes when due and payable all Loan Payments, all payments of principal of and interest on Parity Obligations, and all Additional Payments required by the Loan Agreement, the Institute shall be entitled to utilize its Unrestricted Receivables for its proper corporate purposes. See **"APPENDIX C: Definitions of Certain Terms and Summaries of Certain Documents – Summary of the Loan Agreement."**

There is no mortgage or deed of trust lien on any part of the Institute's facilities securing the Series 2018 Bonds.

Enforceability

The enforceability of and remedies available upon an event of default under the Loan Agreement or the Bond Indenture are subject to various legal uncertainties and, in many respects, may be dependent upon judicial actions, which are often subject to discretion and delay. See **"BONDOWNERS' RISKS – Factors Relating to Security for the Series 2018 Bonds – Enforcement of Remedies"** herein.

Parity Bonds and Parity Obligations

The Bond Indenture provides for the issuance of additional Parity Bonds from time to time on the terms and conditions provided for in the Bond Indenture and the incurrence by the Institute of Parity Obligations on the terms and conditions provided for in the Bond Indenture and in the Loan Agreement. Parity Bonds may be issued under and equally and ratably secured by the Bond Indenture on a parity (except as otherwise described in the Bond Indenture) with the Series 2018 Bonds and any other Parity Bonds then outstanding, upon compliance with the conditions set forth in the Bond Indenture and in the Loan Agreement, for any purpose authorized under the Act. Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption, and a debt service reserve, if any, established for a series of Bonds, such Parity Bonds will be on a parity with and will be entitled to the same benefit and security of the Bond Indenture as the Series 2018 Bonds. See **"APPENDIX C: Definitions of Certain Terms and Summaries of Certain Documents – Summary of the Bond Indenture – Parity Bonds"** and **"Summary of the Loan Agreement – Parity Bonds and Parity Obligations"** hereto.

The Institute may also incur Parity Obligations, upon compliance with certain terms and conditions set forth in the Loan Agreement, to parties other than the Authority. Such Parity Obligations will not be pledged under the Bond Indenture but will be equally and ratably secured under the Loan Agreement. See **"APPENDIX C: "Definitions of Certain Terms and Summaries of Certain Documents – Summary of the Loan Agreement – Parity Obligations"** hereto.

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DEBT SERVICE REQUIREMENTS

The following table sets forth the annual amounts required to pay scheduled principal, including mandatory sinking fund payments, and interest on the Series 2018 Bonds during each fiscal year of the Institute. After the issuance of the Series 2018 Bonds and the redemption of the Series 2005 Bonds, the Institute will have no other long-term debt outstanding.

Debt Service Requirements

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	-	641,322.77	641,322.77
2020	-	1,094,200.00	1,094,200.00
2021	-	1,094,200.00	1,094,200.00
2022	-	1,094,200.00	1,094,200.00
2023	-	1,094,200.00	1,094,200.00
2024	-	1,094,200.00	1,094,200.00
2025	75,000.00	1,092,700.00	1,167,700.00
2026	150,000.00	1,088,200.00	1,238,200.00
2027	210,000.00	1,081,000.00	1,291,000.00
2028	255,000.00	1,071,700.00	1,326,700.00
2029	315,000.00	1,060,300.00	1,375,300.00
2030	370,000.00	1,044,750.00	1,414,750.00
2031	445,000.00	1,024,375.00	1,469,375.00
2032	520,000.00	1,000,250.00	1,520,250.00
2033	595,000.00	972,375.00	1,567,375.00
2034	670,000.00	940,750.00	1,610,750.00
2035	760,000.00	905,000.00	1,665,000.00
2036	845,000.00	864,875.00	1,709,875.00
2037	945,000.00	820,125.00	1,765,125.00
2038	995,000.00	771,625.00	1,766,625.00
2039	1,045,000.00	720,625.00	1,765,625.00
2040	1,095,000.00	667,125.00	1,762,125.00
2041	1,155,000.00	610,875.00	1,765,875.00
2042	1,215,000.00	551,625.00	1,766,625.00
2043	1,275,000.00	489,375.00	1,764,375.00
2044	1,340,000.00	424,000.00	1,764,000.00
2045	1,410,000.00	355,250.00	1,765,250.00
2046	1,480,000.00	283,000.00	1,763,000.00
2047	1,560,000.00	207,000.00	1,767,000.00
2048	1,640,000.00	127,000.00	1,767,000.00
2049	1,720,000.00	43,000.00	1,763,000.00
Total	22,085,000.00	24,329,222.77	46,414,222.77

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Institute with respect to the Series 2018 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2018 Bonds should analyze carefully the information contained in this Official

Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in **"APPENDIX C – Definitions of Certain Terms and Summaries of Certain Documents,"** *copies of which are available as described herein.*

General

The Series 2018 Bonds are special, limited obligations of the Authority payable by the Authority solely from payments made by the Institute pursuant to the Loan Agreement and from amounts in certain funds held by the Bond Trustee under the Bond Indenture. No representation or assurance can be given that the Institute will realize revenues in amounts sufficient to make such payments under the Loan Agreement with respect to the Series 2018 Bonds. The realization of future revenues is dependent upon, among other things, the capabilities of the management of the Institute and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

Marketability

It is expected that the Underwriter will engage in secondary market transactions with respect to Series 2018 Bonds. However, the Underwriter is not obligated to repurchase Series 2018 Bonds from any holder thereof. There is no assurance that a secondary market for the Series 2018 Bonds will develop or that Bondholders who wish to sell Series 2018 Bonds prior to the stated maturity will be able to do so.

Acceleration of Maturity

An event of default under the Bond Indenture may result in an acceleration of the maturity of the Series 2018 Bonds. In such event, a Bondholder whose Series 2018 Bonds are accelerated may not have the opportunity to hold such Series 2018 Bonds for a time period consistent with such Bondholder's original investment intentions.

Enrollment

The Institute's student enrollment, and resulting tuition and fee revenue, is a very important element in its financial performance. Although the Institute believes that such factors as the ratio of the number of applications received to available places, the number of accepted students who enroll, the academic qualifications of admitted students, the effectiveness of the Institute's student recruitment efforts, and general demographic trends, in addition to the strength of its academic programs, faculty, and facilities and its location will cause the demand for its educational programs to remain stable, no assurance can be given that it will do so. A significant decrease in the Institute's enrollment could adversely affect the Institute's financial position and results of operations. See **"APPENDIX A – Information Regarding Kansas City Art Institute – Student Profile"** herein.

Financial Aid

A significant portion of the Institute's students receive financial aid, which may be in the form of federally supported loans and scholarships and grants from the Institute. For the 2017-18 academic year, approximately 98% of the Institute's students received some form of financial aid (discounted tuition, loans and grants). Historically, the Institute has experienced a low student cohort loan default rate, with fewer than 7.2% of students who began repayment in federal fiscal year 2014 (year ending September 30, 2014) defaulting on a loan payment during the period ending September 30, 2014-2016. Various proposals have been introduced in Congress from time to time to reduce the amount of federal support for student aid and student loan programs. If the amount of such loans or other financial aid decreases in the future, there can be no assurance that the Institute will be able to increase the amount of financial aid provided by it. Any change in the availability of financial aid would likely adversely affect the Institute's enrollment. Any significant decrease in enrollment could adversely affect the Institute's financial position and results of operations.

Tuition

A significant portion of the Institute's operating revenues is provided through tuition and related fees. Although the Institute in the past has been able to raise tuition and related fees without materially adversely affecting enrollment, there can be no assurance that it will continue to be able to do so in the future. Tuition and fee increases are limited, in part, by the tuition and fees charged by the Institute's competitors. Future tuition increases and any adverse change in enrollment could adversely affect enrollment, which could adversely affect the Institute's financial position and results of operations.

Competition

There are a number of colleges and universities which offer programs that are similar to those offered by the Institute, with whom the Institute competes for students and that may prove attractive to students considering attending the Institute. Increased competition for the limited numbers of qualified students by other educational facilities could adversely affect the ability of the Institute to maintain or increase enrollment. An increase in competition from other art institutions, colleges and universities could potentially cause a decrease in enrollment at the Institute and any significant decrease in enrollment could adversely affect the Institute's financial position.

Gifts, Grants, and Bequests

The Institute annually solicits gifts, grants, and bequests for both current operating purposes and other needs. In addition, the Institute receives various grants from private foundations. See **"APPENDIX A – Information Regarding Kansas City Art Institute"** hereto. There can be no assurance that the amount of gifts, grants, and bequests received by the Institute will remain stable or increase in the future.

Other Factors Affecting the Financial Performance of the Institute

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Institute's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of management of the Institute.

2. *Organized Labor Efforts.* None of the Institute's professors, administrators, or other employees is currently represented by collective bargaining units. Efforts to organize employees of the Institute into collective bargaining units could result in adverse labor actions or increased labor costs.

3. *Technological Advances.* Changes in technology, including expansion of the offering of courses or degrees via the internet, could significantly impact the manner in which colleges and universities operate, could allow other competition to enter the field of education without making significant investment in capital assets such as land and buildings, and could adversely affect the financial position of established universities and colleges.

4. *Accreditation*. A failure on the part of the Institute to maintain any of its accreditations may result in a reduced number of students attending the Institute and a reduction in revenues.

5. *Natural Disasters.* Occurrence of natural disasters, such as storms, earthquakes, floods or droughts, which could damage the facilities of the Institute, interrupt services, or otherwise impair operations and the ability of the Institute to produce revenues.

6. *Additional Debt.* The Bond Indenture permits the issuance of additional indebtedness on a parity with the Institute's obligation under the Loan Agreement and also permits incurrence of other types of indebtedness by the Institute. Such additional indebtedness would increase debt service requirements and could adversely affect debt service coverage on the Series 2018 Bonds.

7. *Liens and Mortgages.* Although the Series 2018 Bonds are not secured by a mortgage on the Institute's property and as of the date of issuance of the Series 2018 Bonds, there is not a mortgage on the property securing other indebtedness, the Institute is permitted to grant certain encumbrances on its property for the benefit of parties other than the Bondholders. Any such liens, mortgages or other encumbrances could adversely affect the security of the Bondholders if the Institute defaults on the Series 2018 Bonds.

9. *Future Economic Conditions.* Increased unemployment or other adverse economic conditions or changes in demographics, which could increase the proportion of students who are unable to pay the cost of tuition to the Institute; increased cost or reduced availability of energy; an inability to control expenses in periods of inflation; and difficulties in increasing charges and other fees while maintaining the quality of educational services.

10. *Investment Rating.* The lowering or withdrawal of the investment rating initially assigned to the Series 2018 Bonds, which could adversely affect the market price of and the market for the Series 2018 Bonds.

Tax-Exempt Status of the Institute and the Series 2018 Bonds

The Internal Revenue Service (the *"**IRS**"*) has determined that the Institute is an organization described in Section 501(c)(3) of the Code and therefore is exempt from federal income taxation. In addition, the Institute is exempt from ad valorem property taxation. As a charitable organization, the Institute is subject to a number of requirements affecting its operations.

The failure of the Institute to remain qualified as a tax-exempt organization could affect the amount of funds available to pay debt service on the Series 2018 Bonds. Such failure, as well as failure to comply with certain legal requirements (see **"TAX MATTERS"** herein), could cause the inclusion of interest on the Series 2018 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018 Bonds. In such event, the maturity of the Series 2018 Bonds may be accelerated, in the discretion of the Bond Trustee.

The Bond Indenture does not provide for the payment of any additional interest or penalty in the event of the taxability of the interest on the Series 2018 Bonds.

The possible modification or repeal of certain existing federal income tax laws or property tax laws, the failure to obtain property tax exemption for the Project site, or other loss by the Institute of the present advantages of such laws, or any legislation imposing additional conditions on tax-exempt organizations could adversely affect the results of operation and financial position of the Institute.

Factors Relating to Security for the Series 2018 Bonds

Enforcement of Remedies. Enforcement of the remedies under the Loan Agreement and the Bond Indenture may be limited or restricted by State laws concerning the use of assets of charitable corporations and by federal laws and Missouri laws relating to bankruptcy, fraudulent conveyances, and rights of creditors, and by application of general principles of equity affecting the enforcement of creditors' rights and liens securing such rights, and by the exercise of judicial authority by state or federal courts, and may be subject to discretion and delay in the event of litigation or statutory remedy procedures, and may be substantially delayed in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Series 2018 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by Missouri and federal laws, rulings, and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors.

Security Interest in Unrestricted Receivables. The security interest in Unrestricted Receivables granted by the Institute to the Authority pursuant to the Loan Agreement is intended to be a perfected security interest under the Uniform Commercial Code to the extent that such security interest may be perfected by filing. However, the enforceability of that security interest may be subordinated by operation of law to the interests and claims of others in certain circumstances. Among certain claims and interests that may defeat the security interest are: (a) present and future prohibitions against assignment contained in applicable statutes or regulations; (b) commingling of the proceeds of accounts with other moneys not so pledged; (c) statutory liens; (d) rights arising in favor of the United States or any agency thereof; (e) constructive trusts, equitable, or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (f) federal bankruptcy laws that may affect the security interest in accounts of the Institute that are earned by the Institute within 90 days (in certain cases, one year) preceding and after any effectual institution of bankruptcy proceedings by or against the Institute; (g) rights of third parties in accounts converted to cash and not in the possession of the Bond Trustee; and (h) claims that might arise if appropriate financing or continuation statement are not filed in accordance with the Uniform Commercial Code as from time to time in effect.

LITIGATION

The Authority

There is not now pending or, to the knowledge of the Authority, threatened against the Authority any litigation which seeks to restrain or enjoin the issuance or delivery of the Series 2018 Bonds, or questioning or affecting the validity of the Series 2018 Bonds or the proceedings or authority under which they are to be issued. There is not now pending or, to the knowledge of the Authority, threatened against the Authority any litigation which in any manner questions the right of the Authority to enter into the Bond Indenture or the Loan Agreement or to secure the Series 2018 Bonds in the manner provided in the Bond Indenture and the Act.

The Institute

No litigation, proceedings, or investigations are pending or, to the knowledge of the Institute, threatened against the Institute or its officers or property except litigation, proceedings, or investigations being defended by or on behalf of the Institute in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management of the Institute responsible therefor, will be entirely within the Institute's applicable insurance policy limits (including primary and excess insurance policies and subject to applicable deductibles and self-insured retentions), or will not have a material adverse effect on the operations or condition, financial or otherwise, of the Institute. No litigation, investigations, or proceedings are now pending or, to the Institute's knowledge, threatened against the Institute which would in any manner challenge or adversely affect the corporate existence or powers of the Institute to enter into and carry out the transactions described in or contemplated by, or the execution, delivery, validity, or performance by the Institute of, the Loan Agreement, or the status of the Institute as a Tax-Exempt Organization.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2018 Bonds by the Authority are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. The form of opinion of Bond Counsel is attached hereto as **"APPENDIX D – Form of Opinion of Bond Counsel."** Bond Counsel has not reviewed this Official Statement except for (1) the Cover Page hereof (other than yields or prices), (2) the portions hereof describing the Series 2018 Bonds, (3) the sections entitled **"THE SERIES 2018 BONDS" (except "- Book Entry Only" and "- CUSIP Numbers"), "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS,"** and **"TAX MATTERS"** herein, and (4) **APPENDICES C** and **D** hereto and except for such portions Bond Counsel has not participated in the preparation of this Official Statement.

Certain legal matters will be passed upon for the Authority by Thompson Coburn LLC, St. Louis, Missouri, for the Institute by Bryan Cave Leighton Paisner LLP, Kansas City, Missouri, and for the Underwriter by Ballard Spahr LLP, Philadelphia, Pennsylvania.

The various legal opinions to be delivered concurrently with the delivery of the Series 2018 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2018 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2018 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2018 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2018 Bonds. The form of opinion of Bond Counsel is attached to this Official Statement as **APPENDIX D**.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority, under the law existing as of the issue date of the Series 2018 Bonds:

Federal and State of Missouri Tax Exemption. The interest on the Series 2018 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. The interest on the Series 2018 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series 2018 Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Bond Counsel's opinions are provided as of the date of the original issue of the Series 2018 Bonds, subject to the condition that the Authority and the Institution comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2018 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the Institution have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2018 Bonds in gross income for federal and State of Missouri income tax purposes retroactive to the date of issuance of the Series 2018 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2018 Bonds, but has reviewed the discussion under the heading "TAX MATTERS."

Other Tax Consequences

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2018 Bond over its stated redemption price at maturity. The issue price of a Series 2018 Bond is generally the first price at which a substantial amount of the Series 2018 Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2018 Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a Series 2018 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2018 Bonds, and to the proceeds paid on the sale of the Series 2018 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2018 Bonds should be aware that ownership of the Series 2018 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2018 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2018 Bonds, including the possible application of state, local, foreign and other tax laws.

FINANCIAL STATEMENTS

The financial statements of the Institute and for the years ended June 30, 2017 and 2016 are included in **"APPENDIX B – Financial Statements for Fiscal Years Ended June 30, 2017 and 2016"** hereto. Such financial statements have been audited by BKD LLP, independent auditors, to the extent and for the periods indicated in their report which also appears therein. Such financial statements have been included herein in reliance upon the report of such firm. The Institute did not request BKD, LLP perform any updating procedures subsequent to the date of its audit report on the June 30, 2017 financial statements.

CONTINUING DISCLOSURE

Description of Undertaking

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission, the Institute will deliver a Continuing Disclosure Certificate (the "***Continuing Disclosure Certificate***") for the benefit of holders of the Series 2018 Bonds, pursuant to which the Institute will agree to provide certain information annually and to provide notices of the occurrence of certain events to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system (currently accessible at www.emma.msrb.org). The proposed form of the Continuing Disclosure Certificate is attached hereto as **"APPENDIX E – Form of Continuing Disclosure Certificate."**

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("***S&P***") has assigned the Series 2018 Bonds a rating of "A-" with a stable outlook. The rating and outlook reflect only the views of such organization and an explanation of the significance of such rating and outlook may be obtained from S&P. There is no assurance that the rating or the outlook will continue for any given period of time or raised, lowered or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the price at which the Series 2018 Bonds may be resold. None of the Authority, the Underwriter, or the Institute has undertaken any responsibility to maintain any particular rating on the Series 2018 Bonds or to bring to the attention of the holders of the Series 2018 Bonds any proposed revision or withdrawal of a rating of the Series 2018 Bonds or to oppose any such proposed revision or withdrawal of a rating.

UNDERWRITING

The Series 2018 Bonds are being purchased at an aggregate price of $24,637,218.75 (which includes original issue premium of $2,662,643.75) by George K. Baum & Company (the "***Underwriter***"), for reoffering to the public. The Institute has agreed to indemnify the Underwriter against certain liabilities under the federal securities laws in connection with the offering and sale of the Series 2018 Bonds. The initial public offering prices set forth on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Series 2018 Bonds to the public, and the Series 2018 Bonds may be offered and sold to other dealers (including for purposes of deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the initial public offering prices stated on the inside front cover page of this Official Statement.

CERTAIN RELATIONSHIPS

The law firm of Gilmore & Bell, P.C., Kansas City, Missouri, which is acting as Bond Counsel in connection with the issuance of the Series 2018 Bonds, from time to time serves as legal counsel to the Underwriter, but is not serving as counsel to the Underwriter in connection with the issuance of the Series 2018 Bonds. The law firm of Bryan Cave Leighton Paisner LLP, which is acting as special counsel to the Institute in connection with the issuance of the Series 2018 Bonds, from time to time serves as legal counsel to the Underwriter, is not serving as counsel to the Underwriter in connection with the issuance of the Series 2018 Bonds. Also Herbert M Kohn, senior counsel at Bryan Cave Leighton Paisner LLP, serves on the Board of Trustees of the Institute.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture and the Loan Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Bond Indenture and the Loan Agreement. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Series 2018 Bonds will be on file at the office of the Bond Trustee.

The agreement of the Authority with the owners of the Series 2018 Bonds is fully set forth in the Bond Indenture, and neither any advertisement of the Series 2018 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2018 Bonds. Statements made in this Official Statement involving estimates, projections, or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Institute has supplied and reviewed the information contained herein that relates to its property and operations and has approved all such information for use in this Official Statement.

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

KANSAS CITY ART INSTITUTE

By: /s/ Laura Snow
Executive Vice President for Administration

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APPENDIX A

Information Regarding Kansas City Art Institute

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APPENDIX A

KANSAS CITY ART INSTITUTE

Vanderslice Hall

Mission

The mission of the Kansas City Art Institute ("KCAI" or the "Institute") is to prepare gifted students to transform the world creatively through art and design.

Vision

The vision of KCAI is to be an innovative leader in art and design education.

History & Timeline of Events

In 1885, an enterprising group of Kansas Citians with a mutual appreciation for art decided to form a Sketch Club. They had no idea this Sketch Club would lay the groundwork for an institution that would become a distinguished four-year college of art and design.

Notable names associated with KCAI include ***Walt Disney***, who took Saturday classes there as a child; painter ***Thomas Hart Benton***, who taught there from 1935 to 1941; multimedia artist ***Robert Rauschenberg***, who studied fashion design at KCAI; sculptor, conceptual artist and writer ***Robert Morris***; celebrated, present-day performance artist, noted fabric sculptor and more recent KCAI graduate, ***Nick Cave***, with many other notable names.

Today, KCAI is an impressive reflection of its 130-year history and the community in which it evolved.

- 1885: Sketch Club forms as the first organized art effort in the city.
- 1887: Kansas City Art Association and School of Design is incorporated.
- 1907: The Fine Arts Institute of KC is incorporated, the successor to the association.

- 1915: Saturday classes for school children begin at the Fine Arts Institute.
- 1915–1917: Walt Disney attends Saturday classes.
- 1918: John Stuart Curry attends summer classes (his first formal art training).
- 1920: Name change from Fine Arts Institute of KC to the Kansas City Art Institute.
- 1920s: KCAI begins hosting Midwestern Art Shows of work by Missouri and Kansas artists.
- 1940: KCAI is credited with being the first school to inaugurate a civilian and industrial research camouflage training program (Time Magazine, October).
- 1947: KCAI becomes qualified to grant B.F.A. or B.A.A. degrees and offers master's degrees.
- 1964: KCAI becomes fully accredited by North Central Association of Colleges now Higher Learning Commission.
- 1996–2004: KCAI undergoes $18 million worth of campus improvements.
- 1999: The H&R Block Artspace opens.
- 2002-2003: The Jannes Library and Learning Center opens in the renovated Cunningham Mansion. The project wins the AIA-Kansas City Merit Award for Excellence in Design and the Historic Kansas City Foundation's Preservation Award.
- 2005: KCAI introduces the Community Arts and Service Learning program.
- 2014: KCAI's School for Continuing and Professional Studies consolidates all classes to a new building located at 32 E. 46th St., Kansas City, MO.
- 2014: KCAI introduces fifth-year post-baccalaureate program in art education.
- 2015: Tony Jones named 24th President of KCAI.
- 2015: KCAI receives $25 million donation from an anonymous donor.
- 2015: A $750,000 renovation is executed in the Richard J. Stern Ceramics Building at KCAI.
- 2015: KCAI installs 100 solar panels on the roof of the East Building in an effort to reduce energy costs and become better stewards of the environment.
- 2016: Construction begins on KCAI's Fabrication Laboratory.
- 2016: KCAI's Vanderslice Hall undergoes historic preservation.
- 2016: KCAI Crossroads Gallery: Center for Contemporary Practice opens.

Accreditations & Memberships

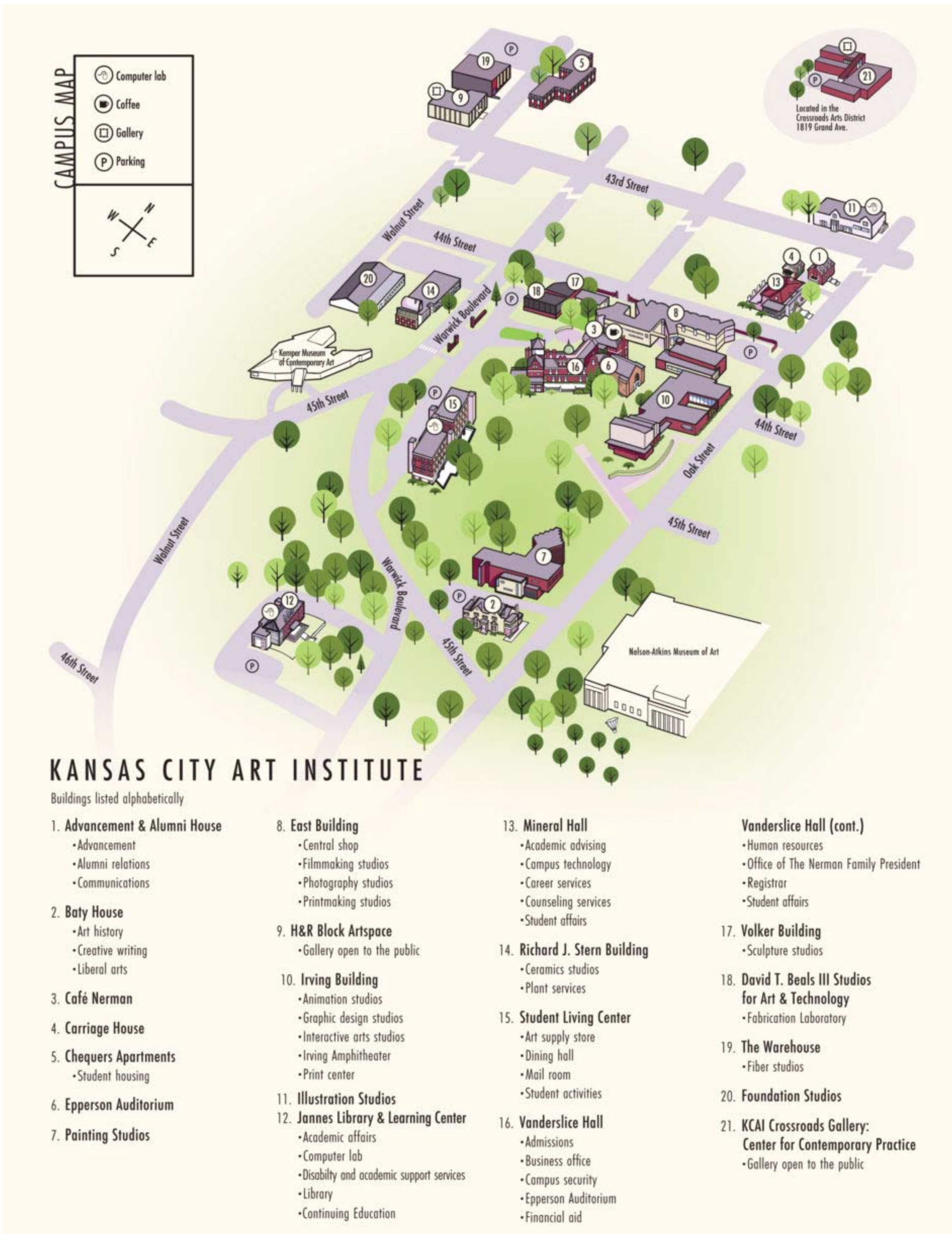
KCAI is fully accredited by the following organizations:

- Higher Learning Commission. KCAI was reaccredited in 2017, with the next reaffirmation of reaccreditation scheduled in 2027.
- National Association of Schools of Art and Design

KCAI is also a member of the Association of Independent Colleges of Art and Design and the Council of Independent Colleges.

Location and Facilities

The Institute's approximately 16-acre campus is located in Kansas City, Missouri, a metropolitan area with a population of approximately 2.1 million. The diagram below represents the buildings and facilities on KCAI's campus. Neighboring cultural institutions include the Nelson-Atkins Museum of Art and the Kemper Museum of Contemporary Art.



Governance

The Institute is governed by a Board of trustees (the "Board") which currently consists of 25 trustees (bylaws allow up to 35 members). Each member serves three-year terms, not to exceed three consecutive terms. Board meetings are held 5 times annually. Board standing committees are as follows: executive council, academic & student affairs, development, facilities, finance/audit, governance, investments, and retirement plan. Listed below are the current members of the Board.

Principal Administrative Officers of the College

Tony Jones CBE, *The Nerman Family President.* Tony Jones CBE (Commander of the British Empire) joined KCAI in December 2014 as interim president. He is an internationally known arts administrator, broadcaster, educator, exhibition curator and historian of art, architecture and design, as well as a consultant on higher education and the arts. A citizen of both Britain and the United States, he was educated at Goldsmith's College in London and the Newport College of Art in Wales as a sculptor, painter and art historian. He came to the United States for postgraduate study as a Fulbright Scholar. He was appointed president of the School of the Art Institute of Chicago in 1986, serving in that capacity until 1991, when he took a position as director of the Royal College of Art in London. He returned to SAIC in 1996 and served as president until 2012, when he was named chancellor and president-emeritus.

Conferred the title Commander of the British Empire by Her Majesty Queen Elizabeth in 2003, Mr. Jones holds a Master of Fine Arts degree from Tulane University in New Orleans, six honorary doctorates and an array of international honors. He was conferred the Austrian Knight's Cross for services to education in Europe, elected an honorary member of the American Institute of Architects and received the Distinguished Service Award of the American Lawyers for the Arts. He is a former two-term national chairman of the Association of Independent Colleges of Art and Design, a consortium of which KCAI is a member. In 2011, an historic landmark building in downtown Chicago was named Jones Hall in his honor.

In addition to numerous books and articles, Mr. Jones has scripted and hosted several television series and radio programs for the BBC. Jones is also president of the Sir James Dyson Educational Foundation in America, co-chair of the Royal College of Art Foundation and international ambassador of the National Foundation for the Advancement of the Arts ("Young Arts Miami").

Bambi Burgard, Ph.D., *Executive Vice President for Academic Affairs.* Bambi Burgard joined KCAI in 2000 as assistant dean for academic affairs and director of the academic resource center. In 2006, she became associate vice president for student achievement; from 2008 to 2010 she served the college as interim vice president for enrollment management; in 2010 she was promoted to vice president for enrollment management and student achievement; and later that year, she was named vice president for academic affairs. Before coming to KCAI, she worked in the student counseling center at University of Missouri-Kansas City and in private practice. Dr. Burgard earned her doctorate in counseling psychology from University of Missouri-Kansas City and is a licensed psychologist in Missouri and Kansas.

Laura Snow, CPA, CGMA, *Executive Vice President for Administration/CFO.* Laura L. Snow joined KCAI in 2015 as vice president for administration/CFO. She oversees human resources, campus security, facilities, the business office and auxiliary services, including the art supply store. Previously, she served as executive vice president for administration and CFO at Saint Paul School of Theology. From 1986 to 2000 she was an owner and partner with Gottlieb Kalender + Snow CPA firm serving small to medium-sized business in a variety of industries. A Certified Public Accountant and Chartered Global Management Accountant, Ms. Snow holds a bachelor's degree in business administration from the University of Missouri-Kansas City and has studied accounting and business administration on the graduate level. In July 2014, the Kansas City Business Journal named her CFO of the Year in the "small nonprofits" category.

Karen Townsend, *Vice President for Enrollment Management.* With 19 years of progressive experience in admissions and recruitment, Ms. Townsend most recently served as the Director of Admissions of the School of the Museum of Fine Arts at Tufts University in Boston. Prior to her work at SMFA, Ms. Townsend held leadership positions at Massachusetts College of Art and Design, Maine College of Art, and the School of Visual Arts in New York. Ms. Townsend received her B.F.A. from Corcoran School of the Arts And Design | George Washington University in Washington, DC.

Residential Life Profile

Located in the heart of campus, the Student Living Center can house 186 students. Freshmen must fulfill a two-semester contract in the Living Center, excluding students who are over 21 years old, transfer students or students who will be living with their parents (within a 30-mile radius). Student occupancy for the past 5 years is shown below.

Fiscal Year	Bed Capacity	Student Occupancy	Occupancy Percentage
Fall 2013	186	152	82%
Fall 2014	186	161	87%
Fall 2015	186	161	87%
Fall 2016	186	179	96%
Fall 2017	186	186	100%

David T. Beals III Studios for Art & Technology and Vanderslice Hall

Academic Program Profile

The Institute's majors and certificate programs are found below.

Majors

- Animation
- Art History
- Ceramics
- Creative Writing
- Fiber
- Filmmaking
- Graphic Design
- Illustration
- Interactive Arts
- Liberal Arts
- Painting
- Photography
- Printmaking
- Sculpture

Certificate Programs

- Asian Studies Certificate
- Social Practice Certificate

All first year undergraduate students participate in The Freshman Foundation, a year long curriculum that brings freshmen into broad-based, studio-intensive investigations in perceptual and intellectual studies.

International Exchange Programs in which KCAI students have participated, are listed below.

- University of Tasmania, Australia
- University of West Hungary, International Ceramics Studio, Hungary
- Burren College of Art, Ireland
- National College of Art and Design, Ireland
- Bezalel Academy of Arts and Design, Israel
- Osaka University of Arts, Japan
- Otago Polytechnic, New Zealand
- Universidad de Castilla – La Mancha, Spain
- Bilkent University, Faculty of Art, Design, and Architecture, Turkey

Faculty Profile

As of fall 2017, KCAI employed 232 full- and part-time employees, including 108 full- and part-time faculty members as shown below. Of the 56 full-time faculty, 89 percent hold terminal degrees.

Professors	13
Associate Professors	19
Assistant Professors	24
Part-Time Faculty	52
Total	**108**

Additionally, KCAI employs an average of 75 part-time instructors annually for the Continuing Professional Studies program.

Student Profile

The following table depicts applications, acceptances and matriculations for the academic years 2013-14 through 2017-18. Student quality, reflected in mean SAT and ACT scores for incoming freshmen, is also shown below.

	2013-14	2014-15	2015-16	2016-17	2017-18
Applications	730	767	863	946	878
Acceptances	487	533	630	615	612
Matriculations	206	186	207	218	223
Mean Freshman SAT	1505	1601	1494	1587	1219*
Mean Freshman ACT	24	23	23	23	23

Fall 2018 Admissions (as of June 4, 2018): The Institute is projecting total enrollment of 671 students for Fall 2018, compared to 663 students who were enrolled in Fall 2017. 68% of the students who applied for Fall 2018 were accepted and enrolled at a matriculation rate of 36%.

* Reflects changes in SAT scoring system, which no longer incudes writing component.

Total head count, and freshman to sophomore retention rates for each of the past five academic years are shown below.

Academic Year	Head Count	FTE
Fall 2013	739	735
Fall 2014	660	653
Fall 2015	645	639
Fall 2016	635	631
Fall 2017	663	660

Cohort	Freshman to Sophomore Retention Rate
Fall 2012	74%
Fall 2013	77%
Fall 2014	76%
Fall 2015	81%
Fall 2016	77%

Tuition and Fees

The following table shows tuition and room & board charges for the last five academic years:

	2013-14	2014-15	2015-16	2016-17	2017-18
Tuition	$33,112	$34,436	$35,120	$36,300	$37,400
Room & Board	9,890	9,890	10,240	10,240	10,400
Total	43,002	44,326	45,360	46,540	47,800

Primary Competing Institutions

The following list represents other institutions (along with respective tuition and fees, and room & board rates) which KCAI believes its applicants also frequently apply for admission.

Institution Name	Tuition & Fees	Room & Board	Total
School of the Art Institute of Chicago	$47,420	$13,890	$61,310
Maryland Institute College of Art	$46,990	$12,860	$59,850
Savannah College of Art and Design	$35,910	$14,244	$50,154
Kansas City Art Institute	**$37,400**	**$10,400**	**$47,800**
Minneapolis College of Art and Design	$37,812	$7,550	$45,362
Milwaukee Institute of Art and Design	$36,520	$8,230	$44,750

Source: collegeboard.org / fall 2017 rates

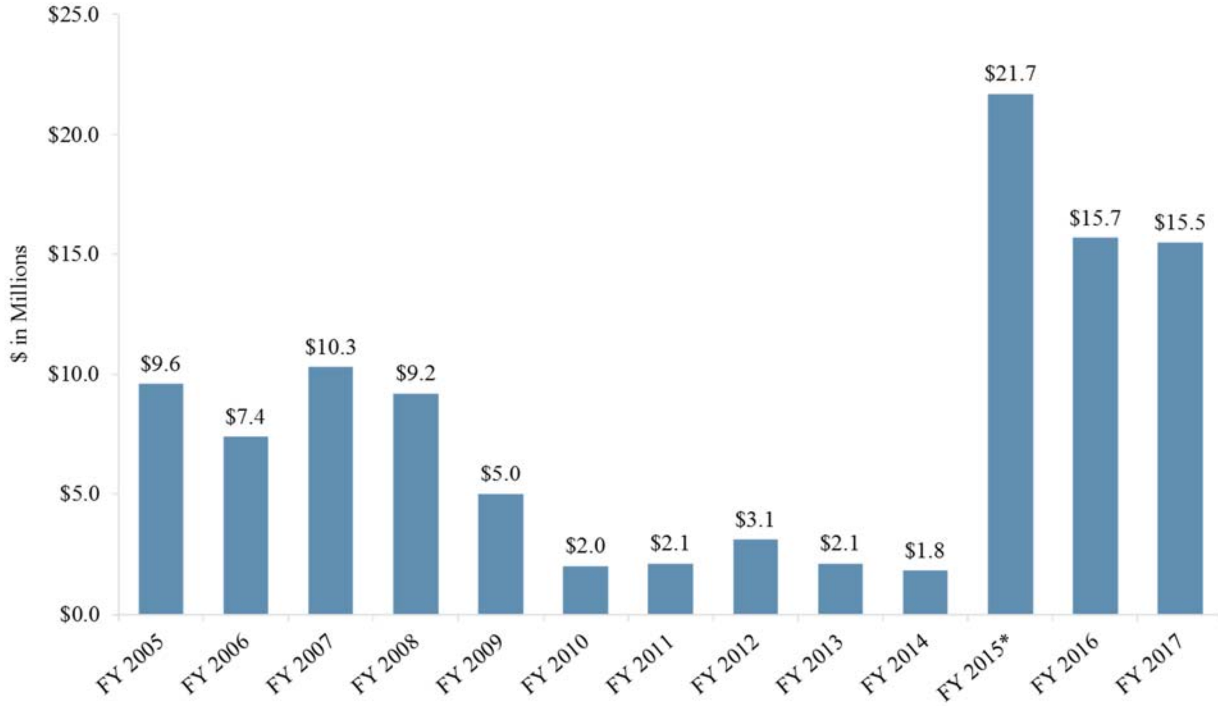
Rowland Commons

Retirement Plan

The Institute participates in a multi-employer defined contribution retirement plan administered by the Teachers Insurance and Annuity Association (TIAA) for eligible personnel. Employee benefits under this plan call for payments at retirement based on the accumulated values in the individual participants' accounts. Employees may elect to defer a percentage of their compensation for contribution to the plan, of which the Institute will match a certain portion of such employee contributions. Total contributions by the Institute were $312,945 and $324,404 for the years ended June 30, 2017 and 2016, respectively.

Advancement

KCAI's historical total giving is shown below.



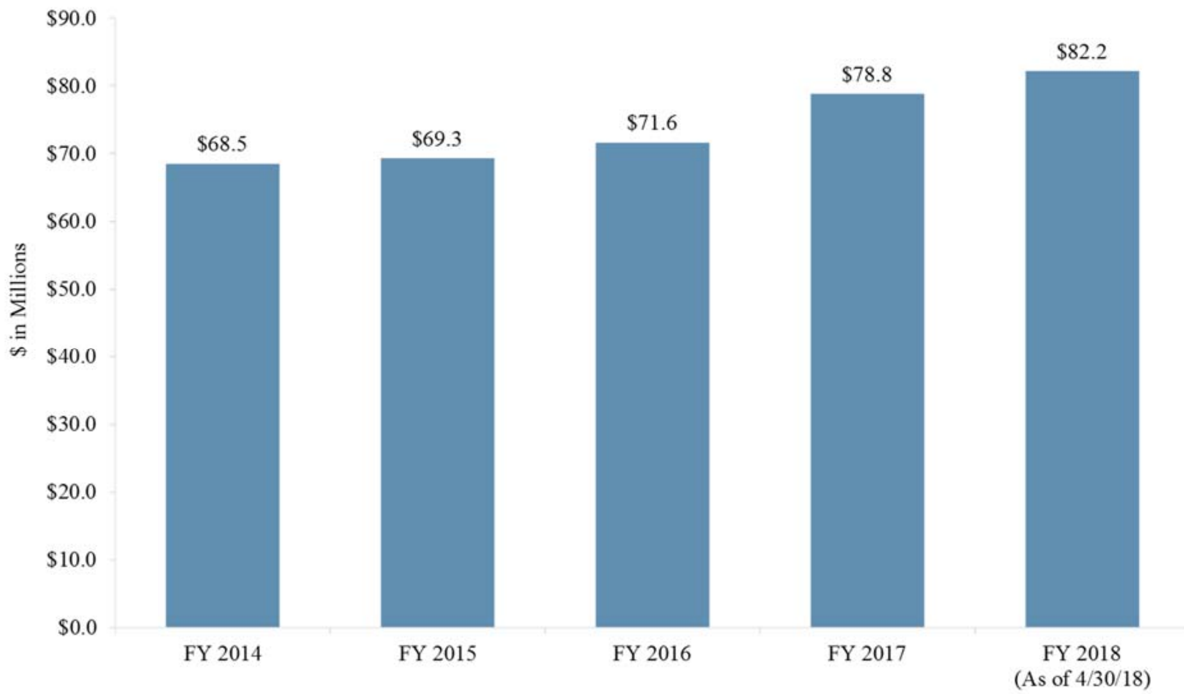
* Includes $14.2 million which resides at the Greater Kansas City Community Foundation, for which KCAI is the beneficiary.

Investments

KCAI's investment allocations are shown below for the past 5 fiscal years.

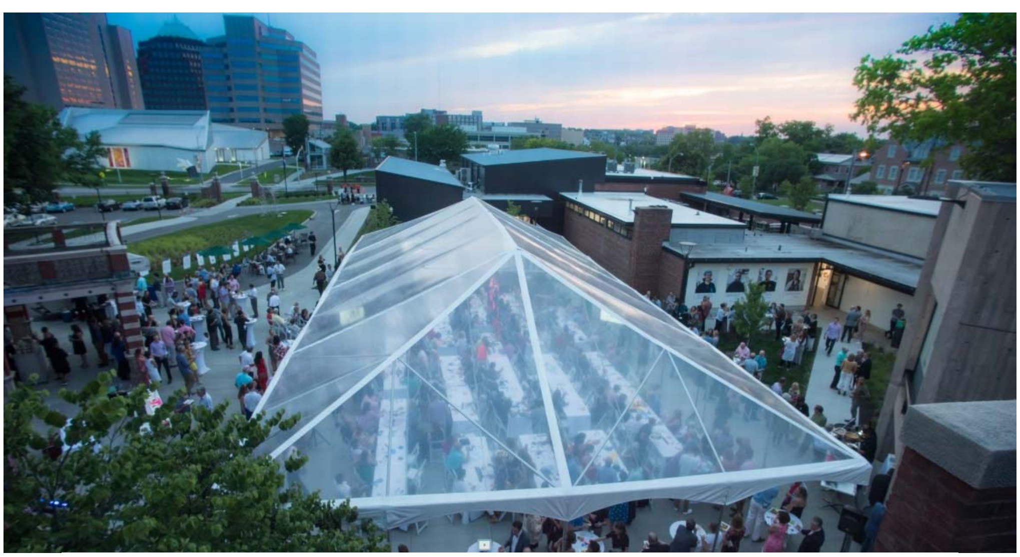
Fiscal Year	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Money Market Funds	$276,812	$684,164	$760,406	$1,872,134	$540,190
Mutual Funds	13,068,604	17,320,598	17,579,536	17,982,614	20,544,085
Common Stock	6,986,697	8,111,035	7,868,743	6,894,129	8,034,575
Exchange Traded Funds	5,297,114	4,295,729	3,985,783	2,797,104	2,862,576
U.S. Gov't Agency Obligations	1,433,622	116,120	75,501	39,853	12,913
Commonfund Gov't Money Market Fund	11,850	11,850	11,850	-	-
Commonfund Multi-Strategy Equity Fund	17,773,481	21,431,419	21,653,021	23,547,029	28,334,329
Commonfund Multi-Strategy Bond Fund	9,872,427	10,139,738	9,847,504	11,305,075	11,585,375
Total	**$54,720,607**	**$62,110,653**	**$61,782,344**	**$64,437,938**	**$71,914,043**

Cash and investments of the Institute are shown in the chart below for the past four fiscal years together with the estimated total as of April 30, 2018.



Accounting Matters

KCAI operates on a fiscal year ending June 30 and accounts for its financial resources according to Generally Accepted Accounting Principles (GAAP) for higher education entities. KCAI is designated a 501(c)(3) not for profit entity.



Rowland Commons festivities during the 2017 KCAI Art & Design Auction

Summary Financial Data of KCAI

For the fiscal years ended June 30, 2013 through 2017, the financial information presented below has been derived from the audited financial statements of KCAI. In the opinion of the administration of KCAI, there has been no material adverse change in the financial condition of the Institute since June 30, 2017, the most recent date for which audited financial statements are available.

Kansas City Art Institute
Statements of Financial Position
As of June 30, 2013 - 2017

	2013	2014	2015	2016	2017
ASSETS					
Cash and cash equivalents	$ 8,435,424	$ 6,074,278	$ 7,164,708	$ 6,899,784	$ 6,592,745
Restricted Cash	377,259	321,738	332,020	297,239	281,078
Student accounts receivable and other misc., net	110,270	112,310	317,326	157,511	221,622
Student loans receivable	1,750,097	1,745,187	1,737,511	1,707,335	1,658,272
Pledges receivable, net	1,658,459	1,302,931	5,935,912	10,085,611	16,658,955
Art store inventory	307,817	289,056	-	-	-
Prepaid expenses and other assets	153,855	204,205	356,790	185,540	262,330
Investments	54,720,607	62,110,653	61,782,344	64,437,938	71,914,043
Funds held in trust by others	2,361,906	2,625,073	2,472,767	2,401,821	2,534,630
Property and equipment, net	21,057,210	20,824,088	19,602,368	24,295,448	26,242,639
Assets held for sale	-	-	785,850	600,000	450,000
Paintings and works of art	939,173	947,962	947,962	947,962	947,962
TOTAL ASSETS	$ 91,872,077	$ 96,557,481	$ 101,435,558	$ 112,016,189	$ 127,764,276
LIABILITIES					
Accounts payable and accrued expenses	$ 1,952,830	$ 1,698,032	$ 1,599,551	$ 2,140,858	$ 2,291,996
Deferred revenue	590,449	423,428	334,507	435,254	450,025
Loans and bonds payable	12,765,540	10,500,000	10,500,000	10,396,134	10,401,486
Refundable loan program	1,841,021	1,846,286	1,853,316	1,860,949	1,857,980
TOTAL LIABILITIES	$ 17,149,840	$ 14,467,746	$ 14,287,374	$ 14,833,195	$ 15,001,487
NET ASSETS					
Unrestricted	$ 24,680,366	$ 26,355,546	$ 26,646,595	$ 28,015,147	$ 28,238,162
Temporarily Restricted	14,909,710	20,015,007	24,809,249	24,754,147	38,737,132
Permanently Restricted	35,132,161	35,719,182	35,692,340	44,413,700	45,787,495
TOTAL NET ASSETS	$ 74,722,237	$ 82,089,735	$ 87,148,184	$ 97,182,994	$ 112,762,789
TOTAL LIABILITIES AND NET ASSETS	$ 91,872,077	$ 96,557,481	$ 101,435,558	$ 112,016,189	$ 127,764,276

Kansas City Art Institute
Condensed Statements of Activities
For Years Ended June 30, 2013 - 2017

	2013	2014	2015	2016	2017
REVENUES, GAINS, AND OTHER SUPPORT					
Student tuition and fees	$ 25,308,236	$ 23,438,313	$ 21,661,145	$ 21,434,881	$ 21,979,152
Less institutional financial aid	(12,142,437)	(11,004,714)	(10,416,498)	(10,640,327)	(10,965,537)
Net student tuition and fees	13,165,799	12,433,599	11,244,647	10,794,554	11,013,615
Summer and continuing education	1,139,210	1,134,099	975,459	850,468	764,133
Interest and dividend income	797,374	743,026	482,143	1,318,409	588,474
Contributions, gifts, and grants	1,744,388	1,455,723	1,701,059	3,192,193	2,204,802
Net realized/unrealized gains (losses) on investments and funds held by others	445,554	2,135,409	103,138	(236,689)	500,160
Auxiliary enterprises	1,775,990	1,635,751	1,690,650	1,681,767	1,915,542
Other	66,784	-	-	-	-
Net assets released to (from) restrictions	1,397,101	1,147,037	2,306,621	2,820,769	4,826,020
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	20,532,200	20,684,644	18,503,717	20,421,471	21,812,746
EXPENSES					
Program services					
Instruction	4,283,392	4,197,432	4,324,936	4,565,361	5,087,155
Academic support	2,035,009	2,004,642	1,928,046	1,983,424	2,409,611
Summer and continuing education	1,059,853	985,725	824,705	816,990	676,641
Student services	1,727,460	1,744,201	1,582,335	1,587,487	1,703,591
Auxiliary enterprises	1,130,616	1,047,058	1,116,748	1,042,008	1,084,220
Support services					
General administration	1,186,295	1,272,356	1,064,613	1,225,748	1,507,719
Fundraising	787,970	712,011	776,781	706,499	815,710
General institutional	4,011,365	4,168,643	3,732,876	3,552,981	3,978,992
Plant operations and maintenance	2,894,955	2,877,396	2,861,628	3,572,421	4,326,092
TOTAL EXPENSES	19,116,915	19,009,464	18,212,668	19,052,919	21,589,731
UNRESTRICTED INCOME (LOSS)	1,415,285	1,675,180	291,049	1,368,552	223,015
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	3,735,101	5,105,297	4,794,242	(55,102)	13,982,985
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	295,706	587,021	(26,842)	8,721,360	1,373,795
NET ASSETS, BEGINNING	69,276,145	74,722,237	82,089,735	87,148,184	97,182,994
NET ASSETS, ENDING	$ 74,722,237	$ 82,089,735	$ 87,148,184	$ 97,182,994	$ 112,762,789

FY 2018 Expected Results: The Institute expects operating performance on a full accrual basis to be positive for FY '18.

Outstanding Indebtedness

At June 30, 2017, the entire long-term indebtedness of KCAI consisted of its Series 2005 Bonds in the amount of $10,500,000. The Series 2005 Bonds will be fully refunded by a combination of an approximate $8,000,000 reserve held under the related 2005 indenture, supplemented by approximately $2,000,000 of Series 2018 Bond proceeds.

Series 2018 Tax-Exempt Bond Proceeds

Proceeds of the Series 2018 Bonds, together with approximately $22,000,000 of fundraising proceeds will finance the following projects:

- Construction of a Student Residence, to increase capacity for 227 on-campus students;
- Renovations to the Institute's Student Living Center;
- A portion of the cost to refinance the Institute's existing Series 2005 Bonds.

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APPENDIX B

Audited Financial Statements for Fiscal Years Ended June 30, 2017 and 2016

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Kansas City Art Institute

Independent Auditor's Report and Financial Statements

June 30, 2017 and 2016

BKD LLP
CPAs & Advisors

Kansas City Art Institute
June 30, 2017 and 2016

Contents

BKD LLP
CPAs & Advisors

1201 Walnut Street, Suite 1700 // Kansas City, MO 64106-2246
816.221.6300 // fax 816.221.6380 // bkd.com

Independent Auditor's Report

Board of Trustees and Audit Committee
Kansas City Art Institute
Kansas City, Missouri

We have audited the accompanying financial statements of Kansas City Art Institute (the Institute), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas City Art Institute as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Kansas City, Missouri
October 16, 2017

Kansas City Art Institute
Statements of Financial Position
June 30, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	$ 6,592,745	$ 6,899,784
Restricted cash	281,078	297,239
Total cash and cash equivalents	6,873,823	7,197,023
Receivables		
Student accounts receivable and other miscellaneous receivables, net of allowance, 2017 - $214,396, 2016 - $165,277	221,622	157,511
Student loans receivable	1,658,272	1,707,335
Pledges receivable, net of allowance 2017 and 2016 - $3,200,000	16,658,955	10,085,611
Total net receivables	18,538,849	11,950,457
Prepaid expenses and other assets	262,330	185,540
Investments	71,914,043	64,437,938
Funds held in trust by others	2,534,630	2,401,821
Property and equipment, net	26,242,639	24,295,448
Assets held for sale	450,000	600,000
Paintings and works of art	947,962	947,962
Total assets	$ 127,764,276	$ 112,016,189

Liabilities and Net Assets

	2017	2016
Liabilities		
Accounts payable and accrued expenses	$ 2,291,996	$ 2,140,858
Deferred revenue	450,025	435,254
Bonds payable	10,401,486	10,396,134
Refundable loan program	1,857,980	1,860,949
Total liabilities	15,001,487	14,833,195
Net Assets		
Unrestricted	28,238,162	28,015,147
Temporarily restricted	38,737,132	24,754,147
Permanently restricted	45,787,495	44,413,700
Total net assets	112,762,789	97,182,994
Total liabilities and net assets	$ 127,764,276	$ 112,016,189

Kansas City Art Institute

Statements of Activities

Years Ended June 30, 2017 and 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Student tuition and fees	$ 21,979,152			$ 21,979,152
Less institutional financial aid	(10,965,537)			(10,965,537)
	11,013,615			11,013,615
Summer and continuing education	764,133			764,133
Interest and dividend income	588,474	$ 201,124		789,598
Contributions, gifts and grants	2,204,802	12,271,061	$ 1,044,049	15,519,912
Net realized and unrealized gains on investments and funds held in trust by others	500,160	6,336,820	329,746	7,166,726
Auxiliary enterprises	1,915,542			1,915,542
Net assets released to (from) restrictions	4,826,020	(4,826,020)		-
Total revenues, gains and other support	21,812,746	13,982,985	1,373,795	37,169,526
Expenses				
Program services				
Instruction	5,087,155			5,087,155
Academic support	2,409,611			2,409,611
Summer and continuing education	676,641			676,641
Student services	1,703,591			1,703,591
Auxiliary enterprises	1,084,220			1,084,220
Support services				
General administration	1,507,719			1,507,719
Fundraising	815,710			815,710
General institutional	3,978,992			3,978,992
Plant operations and maintenance	4,326,092			4,326,092
Total expenses	21,589,731			21,589,731
Increase in Net Assets	223,015	13,982,985	1,373,795	15,579,795
Net Assets, Beginning of Year	28,015,147	24,754,147	44,413,700	97,182,994
Net Assets, End of Year	$ 28,238,162	$ 38,737,132	$ 45,787,495	$ 112,762,789

	2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenues, Gains and Other Support				
Student tuition and fees	$ 21,434,881			$ 21,434,881
Less institutional financial aid	(10,640,327)			(10,640,327)
	10,794,554			10,794,554
Summer and continuing education	850,468			850,468
Interest and dividend income	1,318,409	$ 125,705		1,444,114
Contributions, gifts and grants	3,192,193	3,619,523	$ 8,900,892	15,712,608
Net realized and unrealized losses on investments and funds held in trust by others	(236,689)	(979,561)	(179,532)	(1,395,782)
Auxiliary enterprises	1,681,767			1,681,767
Net assets released to (from) restrictions	2,820,769	(2,820,769)		-
Total revenues, gains and other support	20,421,471	(55,102)	8,721,360	29,087,729
Expenses				
Program services				
Instruction	4,565,361			4,565,361
Academic support	1,983,424			1,983,424
Summer and continuing education	816,990			816,990
Student services	1,587,487			1,587,487
Auxiliary enterprises	1,042,008			1,042,008
Support services				
General administration	1,225,748			1,225,748
Fundraising	706,499			706,499
General institutional	3,552,981			3,552,981
Plant operations and maintenance	3,572,421			3,572,421
Total expenses	19,052,919			19,052,919
Increase (Decrease) in Net Assets	1,368,552	(55,102)	8,721,360	10,034,810
Net Assets, Beginning of Year	26,646,595	24,809,249	35,692,340	87,148,184
Net Assets, End of Year	$ 28,015,147	$ 24,754,147	$ 44,413,700	$ 97,182,994

Kansas City Art Institute
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	$ 15,579,795	$ 10,034,810
Items not requiring (providing) cash		
Depreciation and amortization	1,262,935	1,014,419
Net realized and unrealized (gains) losses on investments and funds held in trust by others	(7,166,726)	1,395,782
Discount on pledges receivable	238,322	141,468
Contribution of land and building	-	(1,200,000)
Contributions and investment income restricted for long-term investment	(13,315,110)	(12,520,415)
Impairment on building held for sale	150,000	185,850
Changes in		
Student accounts receivable	(64,111)	159,815
Pledges receivable	(20,382)	1,167
Prepaid expenses and other assets	(76,790)	67,384
Accounts payable and accrued expenses	775,237	(176,182)
Deferred revenue	14,771	100,747
Net cash used in operating activities	(2,622,059)	(795,155)
Investing Activities		
Purchases of property and equipment	(3,828,873)	(3,790,010)
Purchases of investments	(14,063,882)	(15,361,068)
Sales of investments	13,621,694	11,380,638
Net change in student loans receivable	49,063	30,176
Net cash used in investing activities	(4,221,998)	(7,740,264)
Financing Activities		
Net increase (decrease) in refundable loan programs	(2,969)	7,633
Changes in pledges receivable restricted for long-term investment	2,658,509	328,483
Contributions and investment income restricted for long-term investment	3,865,317	7,899,598
Net cash provided by financing activities	6,520,857	8,235,714
Decrease in Cash and Cash Equivalents	(323,200)	(299,705)
Cash and Cash Equivalents, Beginning of Year	7,197,023	7,496,728
Cash and Cash Equivalents, End of Year	$ 6,873,823	$ 7,197,023
Supplemental Cash Flows Information		
Cash paid for interest	$ 67,910	$ 12,513
Property and equipment additions included in accounts payable	93,390	717,489

Kansas City Art Institute
Notes to Financial Statements
June 30, 2017 and 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Kansas City Art Institute (the Institute) is a private, non-profit, independent college of visual art and design offering the Bachelor of Fine Arts degree in a variety of disciplines. Founded in 1885, the Institute is Kansas City's oldest cultural institution. In 1946, the Institute became a degree-granting college, maintaining its founding philosophical premise as a studio school based on the master-apprentice model. The Institute's mission is preparing gifted students to transform the world creatively through art and design.

As an independent college, the Institute receives no financial support from city, county or federal governments with the exception of funds for student financial aid and periodic restricted grants in small amounts. Since 1946, the Institute has been accredited by what is now the National Association of Schools of Art and Design; and since 1964 by the North Central Association of Colleges and Schools.

Use of Estimates

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

Significant estimates in the Institute's financial statements for the years ended June 30, 2017 and 2016 include receivable reserves, depreciation, investment valuations and government loan obligations.

Cash and Cash Equivalents

The Institute considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2017 and 2016, cash equivalents consisted primarily of bank deposits, money market accounts, overnight investments and federal agency discount notes.

At June 30, 2017, the Institute's cash accounts exceeded federally insured limits by approximately $6,127,000. However, management monitors the financial stability of these financial institutions and believes the risk of loss is minimal.

Investments and Funds Held in Trusts by Others and Investment Return

Investments in equity securities having a readily determinable fair value, all debt securities and funds held in trusts by others are carried at fair value. Investments in the Commonfund are recorded at the estimated net asset value per share, as a practical expedient, of the investments. Other investments and funds are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment income return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

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

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

Student Accounts and Notes Receivable

Student accounts receivables are stated at the amounts billed to students less applied scholarships and loan proceeds. The Institute provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Tuition is due at the beginning of the semester. Charges that are past due and have had no response to the due diligence process are assigned to third-party collection agencies. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Student loans receivable consists of amounts due under the Federal Perkins Loan (FPL) program and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Perkins loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the FPL program. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The Institute provides an allowance for doubtful notes, which is based upon a review of outstanding loans, historical collection information and other existing conditions. Interest income is recorded as received, which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense over the estimated useful life of each asset, ranging from 3 to 40 years. Annual depreciation is primarily computed using the straight-line method. Physical plant and equipment have been recorded at cost with the exception of gifts, which are recorded at fair value at the date of donation.

The Institute capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. No interest was capitalized for the years ended June 30, 2017 and 2016.

Long-lived Asset Impairment

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

Impairment losses of $150,000 and $185,850 were recognized for a building classified as held for sale for the years ended June 30, 2017 and 2016, respectively, based on the carrying value of the asset exceeding the fair value of the asset. The loss is included in plant operations and maintenance in the accompanying statements of activities. Fair value of the building was estimated to be $450,000, which was determined based on the auction price of the building.

Paintings and Works of Art

The Institute has capitalized its paintings and works of art since its inception. If purchased, paintings and works of art are capitalized at cost and, if donated, they are capitalized at their appraised or fair value on the accession date (the date on which the item is accepted by the Board of Trustees). Gains or losses on de-accession of collection items are classified on the statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession. Paintings and works of art are not depreciated.

The Institute's paintings and works of art are held for educational, research, scientific and curatorial purposes. Each of the items is cataloged, preserved and cared for, and the activities verifying their existence and assessing their condition are performed continuously.

Deferred Revenue

Tuition revenues and fees are deferred and recognized over the periods to which the tuition and fees relate.

Net Assets

Unrestricted net assets represent those net assets whose use is not restricted by donor-imposed stipulations. Temporarily restricted net assets are those whose use by the Institute has been limited by donors to a specific time period or purpose. Permanently restricted assets are those, which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized for purposes specified by the donor, if any.

Contributions, Gifts and Grants

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

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

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows.

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

Income Taxes

The Internal Revenue Service has issued a determination letter that the Institute is a non-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code and is exempt from income tax on related income. The Institute is subject to unrelated business income tax. The Institute files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the educational, general and auxiliary enterprises.

Transfers Between Fair Value Hierarchy Levels

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

Reclassifications

Certain reclassifications have been made to the 2016 financial statements for the adoption of ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, that were deemed to be immaterial. These reclassifications had no effect on earnings.

Note 2: Student Loans Receivable

The Institute makes uncollateralized loans to students through its participation in the Federal Perkins Loan (FPL) program. The availability of funds under the FPL program is dependent on reimbursement to the loan fund from repayments on outstanding loans. Cumulative funds advanced by the federal government for the FPL program totaled $1,466,383 as of June 30, 2017 and 2016. These advances are ultimately refundable to the federal government and are classified as liabilities in the statements of financial position along with any gains or losses allocated to the cumulative federal capital contributions. Outstanding loans canceled under the program result in a reduction of funds available for future loans and a decrease in the Institute's liability to the federal government. These loan amounts represent approximately 1.3% and 1.5% of total assets as of June 30, 2017 and 2016, respectively.

Allowances for doubtful accounts are established based on current economic factors and specific circumstances of the borrower, which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For the FPL program, the federal government bears the risk of loss of uncollectible loans provided the Institute performs required collection due diligence procedures; therefore, no allowance for doubtful collections was recorded for the FPL program.

	2017	2016
Student loans receivable		
FPL program	$ 1,658,272	$ 1,707,335

The following tables represent the amounts past due under the Institute's student loan programs as of June 30, 2017 and 2016:

	Less Than 120 Days Past Due	Greater Than 120 Days Past Due	Total Past Due	Current	Total Loans Receivable
June 30, 2017					
Student loans receivable					
FPL program	$ 76,059	$ 488,385	$ 564,444	$1,209,891	$ 1,774,335
Less interest and principal canceled	-	-	-	-	(116,063)
Total	$ 76,059	$ 488,385	$ 564,444	$1,209,891	$ 1,658,272
June 30, 2016					
Student loans receivable					
FPL program	$ 133,763	$ 411,389	$ 545,152	$1,278,246	$ 1,823,398
Less interest and principal canceled	-	-	-	-	(116,063)
Total	$ 133,763	$ 411,389	$ 545,152	$1,278,246	$ 1,707,335

Note 3: Pledges Receivable

Pledges receivable consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Due within one year	$ 12,526,180	$ 7,525,398
Due in one to five years	7,142,792	5,293,219
In excess of five years	735,092	773,781
	20,404,064	13,592,398
Less		
Unamortized discount on pledges	545,109	306,787
Allowance for doubtful pledge	3,200,000	3,200,000
	$ 16,658,955	$ 10,085,611

Unconditional pledges receivable are recognized at a discounted value of anticipated future cash flows using a discount rate of 4.50% and 3.5% at June 30, 2017 and 2016, respectively.

During 2015, the Institute was notified of a significant gift which was transferred to a community foundation (the Foundation) totaling approximately $25,230,000. This gift is designated by the original donor to support the Institute. The gift has three separate components as outlined below:

- An endowment fund for general operations – According to the Endowment Fund for Kansas City Art Institute Establishing Document dated May 25, 2015, the Foundation is to transfer 4.5% of the average past three year-end fund balances to the Institute for general operations, with the first distribution due during the fiscal year ending June 30, 2016. The estimated value of this fund as of June 30, 2017 and 2016 was $14,290,000 and $14,160,000, respectively. The donor provided the Foundation's Board with variance power to redirect the funds to other not-for-profit organizations as appropriate. The Institute will recognize the gift income from the fund when each distribution is approved by the Foundation Board. However, in the event of extraordinary circumstances, or if the Foundation determines the Institute is in a position to manage the funds, the Foundation may recommend the principal of the Fund, up to the entire Fund balance, be distributed to the Institute. The Institute received annual contributions of approximately $655,200 and $648,000, respectively, during the years ended June 30, 2017 and 2016, and are included in unrestricted contributions in the statements of activities.

- A campus improvement grant – According to the Grant Document dated May 25, 2015, the Foundation is to distribute $5,000,000 for campus improvements, primarily for deferred maintenance, to be administered by a committee of the Institute's board of directors. The Institute recorded a contribution and related pledge receivable of $5,000,000 during 2015, related to this grant. The Institute received approximately $2,247,000 and $228,000 for capital improvements made during the years ended June 30, 2017 and 2016, respectively.

- A $2 for $1 challenge grant – According to the Challenge Grant Document dated May 27, 2015, the Foundation is to distribute $6,000,000 to the Institute to be used for endowing the president, professors and scholarships contingent upon the Institute satisfying certain fundraising requirements. During the years ended June 30, 2017 and 2016, the Institute raised approximately $35,000 and $2,965,000 in committed contributions, respectively, allowing the Institute to record the entire $6,000,000 in matching contributions based on the conditions of the grant. The Institute received approximately $1,460,000 of cash proceeds during the year ended June 30, 2017. These contributions are included in permanently restricted contributions in the statements of activities.

Note 4: Investments and Funds Held in Trust by Others and Investment Return

Investments are stated at fair value as of June 30, 2017 and 2016. The following identifies the major categories of investments:

	2017	2016
Money market funds	$ 540,190	$ 1,872,134
Mutual funds		
Vanguard intermediate term fund	7,445,421	7,130,560
Commerce bond fund	4,496,042	3,873,335
Other mutual funds	8,602,622	6,978,719
Common stock	8,034,575	6,894,129
Exchange traded funds	2,862,576	2,797,104
U.S. Government agency obligations	12,913	39,853
Commonfund Multi-Strategy Equity Fund	28,334,329	23,547,029
Commonfund Multi-Strategy Bond Fund	11,585,375	11,305,075
Total investments	$ 71,914,043	$ 64,437,938

The Institute's temporarily and permanently restricted net assets include various endowment funds established by donors. The fair value of the assets of some of these funds was $0 and $22,417 less than the level required by donor stipulation or law at June 30, 2017 and 2016, respectively, (see *Note 10*).

Funds Held in Trust by Others

	2017	2016
Funds held in trust by others	$ 2,534,630	$ 2,401,821

The Institute records its percentage interest in the fair value of these Trust assets as permanently restricted or temporarily restricted net assets based on the restrictions set by the donor, which approximates the present value of the estimated futures cash receipts, in accordance with ASC 958, *Transfers of Assets to a Not-for-Profit Institute or Charitable Trust that Raises or Holds Contributions for Others*. The annual interest and dividend distributions received from these Trust assets are recognized as a component of endowment interest and dividends in the statements of activities, in accordance with the donor's intention.

Total investment return during the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Interest and dividend income	$ 789,598	$ 1,444,114
Net realized and unrealized gains (losses) on investments	7,033,917	(1,324,836)
Net realized and unrealized gains (losses) on funds held in trusts by others	132,809	(70,946)
	$ 7,956,324	$ 48,332

Note 5: Property and Equipment

Property and equipment consisted of the following as of June 30:

	2017	2016
Land	$ 2,270,581	$ 2,270,581
Buildings and improvements	38,418,698	32,836,489
Equipment, furniture and fixtures	2,812,186	8,361,227
Construction in progress	917,888	3,642,690
	44,419,353	47,110,987
Less accumulated depreciation	18,176,714	22,815,539
	$ 26,242,639	$ 24,295,448

During June 30, 2017, the Institute completed construction projects totaling approximately $860,000 with a related party who serves on the Institute's Board of Trustees.

Note 6: Bonds Payable

Bonds payable consisted of the following as of June 30:

	2017	2016
Health and Educational Facilities Authority of the State of Missouri, variable rate Demand Educational Facilities Revenue Bonds, Series 2005; principal due December 31, 2035; interest is payable monthly at the MOHEFA variable rate, which was 0.44% and 0.05% at June 30, 2017 and 2016, respectively, this variable interest rate cannot exceed 12%.	$ 10,500,000	$ 10,500,000
Less unamortized debt issuance costs based on an imputed interest rate of 4%	98,514	103,866
	$ 10,401,486	$ 10,396,134

The Institute maintains a letter-of-credit facility, which expires on December 5, 2017, that permits the trustee to draw an amount up to the principal amount outstanding should the Series 2005 bonds not be remarketed and become due. If the letter-of-credit is drawn upon, the Institute would be required to repay the "Bank Bonds" by the expiration date of the letter-of-credit at an interest rate of prime plus 2%.

The 2005 series bond agreement, among other provisions, contains certain nonfinancial and financial covenants, which includes the requirement that the Institute maintains liquid assets, plus capital campaign pledges that total at least 125% of the amount of the outstanding letter of credit securing the bonds. Management believes the Institute was in compliance with these covenants at June 30, 2017 and 2016.

Minimum annual principal payments on the loans and bonds payable as of June 30, 2017 are as follows:

2035	$ 10,500,000

The Institute also has two line-of-credit agreements with a financial institution. Total borrowings available on these lines totals $3,500,000. Any outstanding borrowings bear interest at bank's prime rate for amounts borrowed up to $1,000,000 and for amounts over $1,000,000 the interest rate is the bank's prime rate minus one-half percent. Both notes have a maturity date of January 31, 2018. No borrowings were outstanding on these lines as of June 30, 2017 and 2016.

Kansas City Art Institute
Notes to Financial Statements
June 30, 2017 and 2016

Note 7: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	2017	2016
Capital projects	$ 17,199,794	$ 7,689,544
Scholarships	15,763,675	12,061,206
Funds held in trust	496,835	466,898
Faculty chairs	1,116,074	925,340
General operations	4,160,754	3,611,159
	$ 38,737,132	$ 24,754,147

Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to provide income for:

	2017	2016
Student scholarships	$ 5,531,993	$ 5,215,113
Faculty chairs	5,305,286	3,500,000
Presidential chair	1,500,000	1,500,000
General operations	31,412,421	32,263,664
Funds held in trust	2,037,795	1,934,923
	$ 45,787,495	$ 44,413,700

Net Assets Released from Restrictions

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

	2017	2016
Capital projects	$ 2,430,443	$ 768,996
Scholarships	1,650,733	137,912
Faculty chairs	114,950	1,647,837
General operations	629,894	266,024
Net assets released from restrictions	$ 4,826,020	$ 2,820,769

Note 8: Retirement Plan

The Institute participates in a multi-employer defined contribution retirement plan administered by the Teachers Insurance and Annuity Association (TIAA) for eligible personnel. Employee benefits under this plan call for payments at retirement based on the accumulated values in the individual participants' accounts. Employees may elect to defer a percentage of their compensation for contribution to the plan, of which the Institute will match a certain portion of such employee contributions. Total contributions by the Institute were $312,945 and $324,404 for the years ended June 30, 2017 and 2016, respectively.

Note 9: Disclosures About Fair Value of Assets

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

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and 2016:

		2017 Fair Value Measurements Using	
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Investments			
Money market funds	$ 540,190	$ 540,190	$ -
Mutual funds			
Vanguard intermediate term fund	7,445,421	7,445,421	-
Commerce bond fund	4,496,042	4,496,042	-
Other mutual funds	8,602,622	8,602,622	-
Common stock	8,034,575	8,034,575	-
Exchange traded funds	2,862,576	2,862,576	-
U.S. Government agency obligations	12,913	-	12,913
Commonfund Multi-Strategy Equity Fund measured at net asset value (A)	28,334,329	-	-
Commonfund Multi-Strategy Bond Fund measured at net asset value (A)	11,585,375	-	-
Total investments	71,914,043	31,981,426	12,913
Funds Held In Trusts by Others	2,534,630	-	2,534,630
Total fair value of recurring measurements	$ 74,448,673	$ 31,981,426	$ 2,547,543

		2016 Fair Value Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
Money market funds	$ 1,872,134	$ 1,872,134	$ -
Mutual funds			
Vanguard intermediate term fund	7,130,560	7,130,560	-
Commerce bond fund	3,873,335	3,873,335	
Other mutual funds	6,978,719	6,978,719	-
Common stock	6,894,129	6,894,129	-
Exchange traded funds	2,797,104	2,797,104	-
U.S. Government agency obligations	39,853	-	39,853
Commonfund Multi-Strategy Equity Fund measured at net asset value (A)	23,547,029	-	-
Commonfund Multi-Strategy Bond Fund measured at net asset value (A)	11,305,075	-	-
Total investments	64,437,938	29,545,981	39,853
Funds Held In Trusts by Others	2,401,821	-	2,401,821
Total fair value of recurring measurements	$ 66,839,759	$ 29,545,981	$ 2,441,674

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2017.

Investments and Funds Held in Trust

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projection and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Institute holds no Level 3 securities.

Commonfund Investments

The fair value of the Commonfund government money market fund, multi-strategy equity and bond funds has been estimated using the net asset value per share as a practical expedient for the investments. Commonfund investments held at June 30 consist of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
June 30, 2017				
Commonfund Multi-Strategy Equity Fund (A)	$ 28,334,329	Not Applicable	Limited to monthly redemption	5 days
Commonfund Multi-Strategy Bond Fund (A)	$ 11,585,375	Not Applicable	Limited to monthly redemption	5 days
June 30, 2016				
Commonfund Multi-Strategy Equity Fund (A)	$ 23,547,029	Not Applicable	Limited to monthly redemption	5 days
Commonfund Multi-Strategy Bond Fund (A)	$ 11,305,075	Not Applicable	Limited to monthly redemption	5 days

(A) The investments in common trust funds permit the commingling or pooling of investor's money into one account (known as Commonfund) for the purpose of creating a single investment. Common trust funds strike a net asset value on a periodic basis and have varying investment strategies that primarily include investments in traditional assets such as domestic and international equity, fixed income securities and other securities. The

Funds' investments are subject to various risk factors arising from the investment activities of the underlying vehicles including market, credit and currency risk. A determination of net asset value per share is made as a practical expedient and these commonfund investments asset value is considered to be the fair value for the commonfund investments.

Nonrecurring Measurements

The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and 2016:

		Fair Value Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
June 30, 2017			
Assets held for sale	$ 450,000	$ -	$ 450,000
June 30, 2016			
Assets held for sale	$ 600,000	$ -	$ 600,000

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Assets Held for Sale

Assets held for sale are valued at fair value on June 30, 2017 and 2016, due to an impairment recorded. The fair value is estimated based on the listing price of the assets, which is a quoted price in an active market for similar comparable assets, therefore, is classified within Level 2 of the valuation hierarchy.

Note 10: Endowment

Interpretation of State Law

The Institute's endowment consists of approximately 100 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The composition of net assets by type of endowment fund at June 30, 2017 and 2016 was:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 20,673,555	$ 39,888,138	$ 60,561,693
Board-designated endowment funds	3,427,542	-	-	3,427,542
Total endowment funds	$ 3,427,542	$ 20,673,555	$ 39,888,138	$ 63,989,235

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (22,417)	$ 16,162,480	$ 37,515,560	$ 53,655,623
Board-designated endowment funds	3,176,686	-	-	3,176,686
Total endowment funds	$ 3,154,269	$ 16,162,480	$ 37,515,560	$ 56,832,309

Changes in endowment net assets for the years ended June 30, 2017 and 2016 were:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,154,269	$ 16,162,480	$ 37,515,560	$ 56,832,309
Total investment return	424,456	6,500,487	222,860	7,147,803
Addition of contributions and collections on pledges	-	-	2,149,718	2,149,718
Appropriation of endowment assets for expenditure	(151,183)	(1,989,412)	-	(2,140,595)
Endowment net assets, end of year	$ 3,427,542	$ 20,673,555	$ 39,888,138	$ 63,989,235

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,450,245	$ 18,484,872	$ 32,555,200	$ 54,490,317
Total investment return	(148,040)	(442,517)	-	(590,557)
Addition of contributions and collections on pledges	-	-	4,960,360	4,960,360
Appropriation of endowment assets for expenditure	(147,936)	(1,879,875)	-	(2,027,811)
Endowment net assets, end of year	$ 3,154,269	$ 16,162,480	$ 37,515,560	$ 56,832,309

Included in the 2017 and 2016 temporarily restricted net assets above is a donation the Institute received in previous years for scholarships which management designated as a term-endowment during 2014.

Amounts of donor-restricted endowment funds classified as permanently restricted net assets at June 30 consisted of:

	2017	2016
Permanently restricted net assets – portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation on SPMIFA	$ 39,888,138	$ 37,515,560
Permanently restricted net assets not subject to the Institute's investment policies consisting of pledges, perpetual trusts held by others and other assets	5,899,357	6,898,140
	$ 45,787,495	$ 44,413,700

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Institute is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets and aggregated $0 and $22,417 at June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Institute must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Institute's policies, endowment assets are invested in a manner that is intended to produce results that meet or exceed S&P 500 Performance over a three to five-year market cycle, while assuming a low level of investment risk. The Institute expects its endowment funds to provide an average rate of return of approximately 6% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

For operational purposes, the Board of Trustees annually directs that a percentage of the previous twelve quarters' average fair value of investments held for endowment purposes be allocated as a distribution of endowment investment income for current operations. For the years ended June 30, 2017 and 2016, such percentage was 4.5% and the allocation totaled $1,989,412 and $1,879,875, respectively. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow. This is consistent with the Institute's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 11: Significant Estimates and Concentrations

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

Contributions

Approximately 72% and 36% of all contributions, respectively, were received from one donor during 2017 and 2016.

General Litigation

The Institute is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Institute. No accrual for any potential losses, if any, has been included in these financial statements.

Allowance for Uncollectible Receivables

Significant estimates used in determining the allowance for uncollectible student accounts and loans receivable are described in *Note 1*. Management believes the remaining net outstanding pledges receivable balances are collectible as of June 30, 2017. This estimate could materially change in future periods due to unforeseen events and circumstances.

Depreciation

As described in *Note 1*, depreciation is charged to expense using the straight-line method over the estimated useful life of each asset, which ranges from 3 to 40 years.

Refundable Government Student Loan Program

As discussed in *Note 1*, allowances for doubtful accounts are established based on current economic factors and specific circumstances of the borrower, which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For the FPL program, the federal government bears the risk of loss of uncollectible loans provided the Institute performs required collection due diligence procedures.

Investments

The Institute invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Note 12: Subsequent Events

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

APPENDIX C

Definitions of Certain Terms and Summaries of Certain Documents

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS
AND SUMMARIES OF CERTAIN DOCUMENTS

The following, in addition to the information provided elsewhere in this Official Statement, summarizes certain provisions of the Bond Trust Indenture and the Loan Agreement, to which reference must be made for the detailed provisions thereof.

DEFINITIONS

In addition to the words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms as used in the Bond Trust Indenture, in this Official Statement, and in the Loan Agreement. Reference is made to these documents for complete definitions of all terms.

"Act" means the Missouri Health and Educational Facilities Authority Act, Chapter 360 of the Revised Statutes of Missouri, as from time to time amended.

"Authority" means the Health and Educational Facilities Authority of the State of Missouri, and its successors and assigns or any body, agency or instrumentality of the State of Missouri succeeding to or charged with the powers, duties and functions of the Authority.

"Authority Representative" means (a) the chairman, vice chairman or executive director of the Authority, (b) such other person or persons at the time designated to act on behalf of the Authority in matters relating to the Bond Indenture and the Loan Agreement as evidenced by a written certificate furnished to the Institute and the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Authority by its chairman, vice chairman or executive director, and (c) any other duly authorized officer of the Authority whose authority to execute any particular instrument or take a particular action under the Bond Indenture or the Loan Agreement is evidenced to the satisfaction of the Bond Trustee.

"Balloon Indebtedness" means Long-Term Indebtedness, **25%** or more of the original principal of which:

(a) is due and payable (either by maturity or scheduled mandatory redemption) during the same Fiscal Year, if such principal becoming due and payable is not required to be amortized below such percentage by scheduled mandatory redemption or prepayment prior to such Fiscal Year; or

(b) may be or is required to be tendered for purchase or redemption, at the option of the holder thereof or otherwise, prior to its stated maturity date (other than by scheduled mandatory redemption or by acceleration or upon the occurrence of an Event of Default).

"Bond" or *"Bonds"* means any bond or bonds, including the Series 2018 Bonds, and any Parity Bonds, issued, authenticated and delivered under and pursuant to the Bond Indenture.

"Bond Indenture" means the Bond Trust Indenture as originally executed by the Authority and the Bond Trustee, as from time to time amended and supplemented by Supplemental Bond Indentures in accordance with the provisions of the Bond Indenture.

"Bondowner," "Owner" or *"Registered Owner"* means the Person or Persons in whose name a Bond is registered as shown on the Bond Register.

"Bond Trustee" means **Commerce Bank**, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to and at the time serving as trustee under the Bond Indenture.

"Book Value" means, when used with respect to Property of the Institute, the value of such Property, net of accumulated depreciation and amortization, as it is carried on the books of account of the Institute as reflected in the most recent audited financial statements of the Institute.

"Business Day" means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Bond Trustee is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

"Consultant's Report" means a written report of an individual consultant or accountant or firm of consultants or accountants, selected by the Institute and acceptable to the Bond Trustee, having the skill and experience necessary to render the particular report, certification or service required by the Bond Indenture or the Loan Agreement and having a favorable reputation for such skill and experience, which individual or firm shall have no interest, direct or indirect, in the Institute, and, in the case of an individual, shall not be a director, officer or employee of the Institute, and, in the case of a firm, shall not have a partner, member, director, officer or employee who is a director, officer or employee of the Institute.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate dated as of July 1, 2018, entered into by the Institute, as from time to time amended in accordance with the provisions thereof.

"Costs of the Project" means all reasonable or necessary costs and expenses of the Project that are permitted under the Act to be paid from proceeds of Series 2018 Bonds, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, reconstruction, repair, alteration, improvement and extension of the Project, including without limitation the following:

(a) the expenses of studies and surveys, architectural and engineering services and the cost of legal, organization, marketing or other special services;

(b) financial and underwriting fees and expenses;

(c) the cost of acquiring or demolishing existing structures, developing the site of and constructing and equipping a new building constituting a part of the Project;

(d) rehabilitating, reconstructing, repairing, equipping, furnishing, or remodeling existing buildings constituting a part of the Project; and

(e) all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act.

"Costs of the Project Account" means the account created by such name under the Bond Indenture.

"Current Value" means (a) with respect to Property, the aggregate fair market value of such property, plant and equipment as determined by (1) a written report of an appraiser acceptable to the Bond Trustee and, in the case of real property, who is a member of the Appraisal Institute (MAI), delivered to the Bond Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated), or (2) a bona fide offer for the purchase of such Property made on an arm's length basis within **6** months of the date of determination as established by a certificate of an Institute Representative, and (b) with respect to any other

Property, the fair market value of such Property, which fair market value shall be evidenced in a manner satisfactory to the Bond Trustee.

"Debt Service Fund" means the fund by that name created by the Bond Indenture.

"*Debt Service Requirements*" means, for the period of time for which calculated, the aggregate principal payments (whether at maturity, or upon mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest payments required to be made during such period on Outstanding Long-Term Indebtedness; provided that (a) the amount of such payments for any future period shall be calculated in accordance with the assumptions contained in the Loan Agreement, and (b) such payments shall be excluded from Debt Service Requirements to the extent that such payments were paid or are payable from cash or Defeasance Obligations irrevocably deposited in escrow or trust for such purpose or from the proceeds of Refunding Indebtedness or other Long-Term Indebtedness (e.g., accrued and funded interest).

"Defeasance Obligations" means the following:

(a) Government Obligations which are not subject to redemption prior to maturity; or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations (A) are not subject to redemption prior to maturity, or (B) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are fully secured by cash or noncallable Government Obligations that may be applied only to payment of principal of, premium, if any, and interest payments on such obligations;

(3) the sufficiency of such cash and noncallable Government Obligations to pay in full all principal of, interest, and premium, if any, on such obligations has been verified by the report of an independent certified public accountant and no substitution of Government Obligations shall be permitted except with cash or other Government Obligations and upon delivery of a new verification;

(4) such cash and Government Obligations serving as security for the obligations are held in an irrevocable escrow by an escrow agent or a trustee in trust for the Owners of such obligations, at least one year has passed since the establishment of such escrow and the issuer of such obligations is not, and has not been since the establishment of such escrow, a debtor in a proceeding commenced under the United States Bankruptcy Code;

(5) the Bond Trustee has received an unqualified opinion of nationally recognized bankruptcy counsel (who, for purposes of such opinion, may assume that no Bondowner is an "insider", as defined in the United States Bankruptcy Code) to the effect that the cash and Government Obligations in such escrow are not available to satisfy any other claims, including those against the trustee or escrow agent, and that the payment of principal of and interest on such obligations made from such escrow would not be avoidable as preferential payments and recoverable under the United States Bankruptcy Code should the obligor or any other person liable on such obligations become a debtor in a proceeding commenced under the United States Bankruptcy Code;

(6) the Bond Trustee has received an Opinion of Bond Counsel delivered in connection with the original issuance of such obligations to the effect that the interest on such obligations was exempt for purposes of federal income taxation, and the Bond Trustee has received an Opinion of Bond Counsel delivered in connection with the establishment of the irrevocable escrow to the effect that the establishment of the escrow will not result in the loss of any exemption for purposes of federal income taxation to which interest on such obligations would otherwise be entitled; and

(7) the obligations are rated in one of the two highest rating categories by a nationally recognized rating service.

"*Event of Default*" means any of the events described in the Bond Indenture or the Loan Agreement, as applicable.

"*Financing Documents*" means the Bond Indenture, the Bonds, the Loan Agreement, the Purchase Contract, the Continuing Disclosure Certificate, the Tax Compliance Agreement, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing; provided, however, that when the words "Financing Documents" are used in the context of the authorization, execution, delivery, approval or performance of Financing Documents by a particular party, the same shall mean only those Financing Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

"*Fiscal Year*" means the **12**-month period beginning on **July 1** and ending on **June 30** or any other **12-**month period selected by the Institute as the Fiscal Year of the Institute for financial reporting purposes and written notice of which shall be delivered by the Institute Representative to the Bond Trustee.

"*Government Obligations*" means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations for which the full and timely payment of the principal and interest is unconditionally guaranteed by, the United States of America, issued by or through the Federal Reserve Bank, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Bond Trustee.

"*Guaranty*" means an obligation of the Institute guaranteeing in any manner, whether directly or indirectly, any indebtedness or other obligation of any other Person which indebtedness or obligation would constitute Indebtedness if such Person were the Institute.

"*Historical Debt Service Coverage Ratio*" means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Revenue Available for Debt Service of the Institute for that period, by (b) a denominator equal to the Debt Service Requirements for Long-Term Indebtedness of the Institute for such period.

"*Historical Pro Forma Debt Service Coverage Ratio*" means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Revenue Available for Debt Service of the Institute for that period, by (b) a denominator equal to the Maximum Annual Debt Service Requirements of the Institute for the Long-Term Indebtedness then Outstanding (other than any Long-Term Indebtedness being refunded with the Long-Term Indebtedness then proposed to be issued) and the Long-Term Indebtedness proposed to be issued.

"Indebtedness" means all indebtedness or obligations of the Institute for the repayment of borrowed money (including capital leases, installment purchase contracts and guarantees of indebtedness) shown as liabilities on the balance sheet of the Institute or which may be properly capitalized on the balance sheet of the Institute in accordance with generally accepted accounting principles. Indebtedness does not include the following:

(a) any portion of any Indebtedness that is payable from Defeasance Obligations and is deemed to be discharged or defeased in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness;

(b) liabilities incurred by the endorsement for collection or deposit of checks or drafts received in the ordinary course of business or overdrafts to banks to the extent there are immediately available funds sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business;

(c) accounts payable and similar liabilities (other than for the repayment of borrowed money) incurred in the ordinary course of business;

(d) liabilities payable out of current payments for the funding of employee pension plans, retiree benefits other than pensions, health plans and other benefit programs, contributions to self-insurance or pooled-risk insurance programs and estimated long-term self-insurance liability, and the funding of reserves for deferred taxes, deferred revenues, deferred compensation, and similar such liabilities;

(e) obligations under contracts for supplies, services or pensions allocated to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid;

(f) rentals payable under leases which are not capitalized under generally accepted accounting principles; and

(g) any other obligations that do not constitute indebtedness and may not be properly capitalized on the balance sheet of the Institute under generally accepted accounting principles.

"Institute" means **Kansas City Art Institute**, a Missouri public benefit and nonprofit corporation, and its successors and assigns.

"Institute Representative" means the chairman or vice chairman of the governing board of the Institute, the president, chief financial officer and any other person or persons at the time designated to act on behalf of the Institute in matters relating to the Bond Indenture and the Loan Agreement as evidenced by a written certificate furnished to the Authority and the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Institute by its chairman, vice chairman, president or chief financial officer. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the Institute Representative.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

"Loan" means the loan of the proceeds of the Bonds made by the Authority to the Institute under the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated as of July 1, 2018, between the Authority and the Institute, as from time to time amended by Supplemental Loan Agreements in accordance with the provisions of the Loan Agreement.

"Loan Payments" means the payments of principal and interest on the Loan referred to in the Loan Agreement.

"Long-Term Indebtedness" means (a) Indebtedness having an original stated maturity or term greater than one year, or (b) Indebtedness having an original stated maturity or term equal to or less than one year that is renewable or extendable at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof, or with respect to which the Institute has incurred Commitment Indebtedness.

"Maximum Annual Debt Service" means the maximum amount of Debt Service Requirements as computed for the then current or any succeeding Fiscal Year.

"Net Revenue Available for Debt Service" means, for any period of calculation, the increase (decrease) in Unrestricted Net Assets, plus depreciation, interest expenses and amortization of bond discount and capitalized or funded financing expenses, all as determined in accordance with generally accepted accounting principles, adjusted to exclude any unrealized gains or losses on investments otherwise included in the increase (decrease) in Unrestricted Net Assets, and any changes in net assets classification to correct errors and any changes in accounting methods.

Non-Recourse Indebtedness" means Indebtedness secured by a mortgage, lien or security interest in property, the liability for which is limited to the property subject to such encumbrance, with no other recourse, directly or indirectly, to the general credit of the Institute or to any other Property of the Institute.

"Notes" means the Series 2018 Note and any Parity Notes.

"Opinion of Bond Counsel" means a written opinion of Gilmore & Bell, P.C., or other legal counsel acceptable to the Authority and the Bond Trustee who is nationally recognized as expert in matters, addressed to the Authority and the Bond Trustee, pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

"Opinion of Counsel" means a written opinion of any legal counsel having expertise in the matters covered in such opinion and acceptable to the Institute and the Bond Trustee and, to the extent the Authority is asked to take action in reliance thereon, the Authority, who may be an employee of or counsel to the Institute or the Bond Trustee.

"Original Purchaser" means George K. Baum & Company, the purchaser of the Bonds under the Purchase Contract.

"Outstanding" means the following with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Bond Indenture, except the following:

(1) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation as provided in the Bond Indenture;

(2) Bonds for whose payment or redemption cash or Defeasance Obligations in the necessary amount has been deposited with the Bond Trustee in trust for the Owners of such Bonds as provided in the Bond Indenture, provided that, if such Bonds are to be

redeemed, notice of such redemption has been duly given pursuant to the Bond Indenture or provision therefor satisfactory to the Bond Trustee has been made;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Bond Indenture; and

(4) Bonds alleged to have been mutilated, destroyed, lost or stolen which have been replaced as provided in the Bond Indenture; and

"Parity Bonds" means any additional parity Bonds issued by the Authority pursuant to the Bond Indenture that stand on a parity and equality under the Bond Indenture with the Series 2018 Bonds.

"Parity Notes" means any additional parity Notes issued by the Institute to the Authority, pursuant to the Loan Agreement, in connection with the issuance of Parity Bonds under the Bond Indenture.

"Parity Obligations" means any Indebtedness of the Institute, other than the Notes, issued or incurred by the Institute in accordance with the Loan Agreement and secured on a parity with the Notes, which obligations may be issued to any Person, including Persons other than the Authority.

"Permitted Encumbrances" means, with respect to Property of the Institute as of any particular time, the following:

(a) the lien and security interest of the Loan Agreement in Unrestricted Receivables, and any other liens or security interest in Property that equally and ratably secure all obligations of the Institute with respect to the Bonds and any Parity Obligations on a parity basis;

(b) liens for taxes, assessments, and other governmental charges not delinquent, or if delinquent are being contested in good faith by appropriate proceedings and as to which the Institute shall have set aside on its books adequate reserves with respect thereto;

(c) mechanic's, laborer's, materialman's, supplier's or vendor's liens not filed of record and similar charges not delinquent, or if filed of record are being contested in good faith and have not proceeded to judgment and as to which the Institute shall have set aside on its books adequate reserves with respect thereto;

(d) liens in respect of judgments or awards with respect to which the Institute is in good faith currently prosecuting an appeal or proceedings for review, and with respect to which the Institute shall have secured a stay of execution pending such appeal or proceedings for review, provided the Institute shall have set aside on its books adequate reserves with respect thereto;

(e) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions that do not materially affect the marketability of title to such Property and do not in the aggregate materially impair the use of such Property for the purposes for which it is held by the Institute;

(f) such minor defects and irregularities of title as normally exist with respect to property similar in character to the Property affected thereby and which do not materially affect the marketability of title to or value of such Property and do not materially impair the use of such Property for the purposes for which it is held by the Institute;

(g) zoning laws, ordinances or regulations and similar restrictions that are not violated by the Property affected thereby;

(h) statutory liens and rights of setoff granted to banks or other financial institutions with respect to funds on deposit in the ordinary course of business;

(i) all right, title and interest of the state, municipality or government or other public authority and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(j) rights reserved to, or vested in, any municipality or governmental or other public authority by virtue of any franchise, license, contract or statute to control or regulate any Property of the Institute, or to use such Property in any manner, or to purchase, or designate a purchaser of or order the sale of, any Property of the Institute upon payment of cash or reasonable compensation therefor, or to terminate any franchise, license or other rights;

(k) liens arising by reason of (1) good faith deposits with the Institute in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), (2) deposits by the Institute to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, (3) deposits as security for the payment of taxes or assessments or other similar charges, and (4) deposits with, or the giving of any form of security to, any municipality or governmental or other public authority for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Institute to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(l) restrictions on Property received by the Institute through gifts, grants, bequests, contributions or donations imposed by the donor or grantor of such Property and which consist solely of restrictions on the use of such Property or the income therefrom;

(m) liens on and security interests in the proceeds of Indebtedness prior to the application of such proceeds or any debt service fund, reserve fund, escrow fund or similar fund established to secure the payment of Indebtedness;

(n) liens existing on Property at the time of its acquisition by the Institute through purchase, lease or otherwise, or liens existing on Property of a Person on the date such Person merges into or consolidates with the Institute that were not imposed or incurred in contemplation of such Person merging into or consolidating with the Institute; provided, that no such lien may be increased, extended, renewed, or modified after such date to apply to any Property of the Institute not subject to such lien on such date unless such lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance;

(o) leases, under which the Institute is lessor, that relate to Property of the Institute which is of a type that is customarily the subject of such leases including leases of office space for educational institutions, food service facilities, parking facilities, day care centers, gift shops, barber shops, beauty shops, flower shops; and any other leases entered into in accordance with the disposition of Property provisions of the Loan Agreement;

(p) purchase money mortgages, security interests, and liens securing Purchase Money Indebtedness, placed upon Property in order to obtain the use of such Property or to secure a portion of the purchase price thereof;

(q) liens on property, plant and equipment securing any Indebtedness if at the time of incurrence of such Indebtedness and after giving effect to all liens classified as Permitted Encumbrances under this subsection, the Book Value or, at the option of the Institute, the Current Value of all property, plant and equipment of the Institute subject to such liens is not more than **15%** of such value of all of the property, plant and equipment of the Institute;

(r) liens on Property securing Subordinated Indebtedness, provided that a superior lien on the same Property is granted to secure all obligations of the Institute with respect to Parity Bonds and Parity Obligations;

(s) liens on Property securing a Qualified Credit Facility, provided that a superior lien on the same Property is granted to secure all obligations of the Institute with respect to Parity Bonds and Parity Obligations;

(t) liens on Property which are existing at the date of the Bond Indenture and the Loan Agreement; provided that no such lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of the Institute not subject to such lien on such date unless such lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance;

(u) any other lien or encumbrance created or incurred in the ordinary course of business which does not secure, directly or indirectly, the repayment of borrowed money or the payment of installment sales contracts or capital leases and which, individually or in the aggregate, does not materially impair the value or the utility of the Property subject to such lien or encumbrance;

(v) any other liens on Property expressly permitted by the Loan Agreement or approved in writing by the Owners of a majority in principal amount Outstanding Bonds and Parity Obligations; and

(w) liens on any reserve fund created by a Supplemental Bond Indenture in conjunction with the issuance of a Series of Parity Bonds.

"Permitted Investments" means, if and to the extent the same are at the time legal for investment of funds held under the Bond Indenture, the following:

(a) Government Obligations;

(b) bonds, notes or other obligations of any state of the United States or any political subdivision of any state, which at the time of their purchase are rated in one of the two highest rating categories by a nationally recognized rating service;

(c) certificates of deposit or time or demand deposits constituting direct obligations of any bank, bank holding company, savings and loan association, trust company or other financial institution organized under the laws of the United States or any state thereof (including the Bond Trustee or any of its affiliates), except that investments may be made only in certificates of deposit or time or demand deposits which are:

(1) insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation, or any other similar United States Government deposit insurance program then in existence; or

(2) continuously and fully secured by Government Obligations, which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such certificates of deposit or time or demand deposits; or

(3) issued by a bank, bank holding company, savings and loan association, trust company or other financial institution organized under the laws of the United States or any state thereof (including the Bond Trustee or any of its affiliates) whose outstanding unsecured long-term debt is rated, at the time of issuance, in one of the two highest rating categories by a nationally recognized rating service;

(d) repurchase agreements with any bank, bank holding company, savings and loan association, trust company or other financial institution organized under the laws of the United States or any state thereof (including the Bond Trustee or any of its affiliates), that are continuously and fully secured by Government Obligations and which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such repurchase agreements, provided that each such repurchase agreement conforms to current industry standards as to form and time, is in commercially reasonable form, is for a commercially reasonable period, results in transfer of legal title to identified Government Obligations which are segregated in a custodial or trust account for the benefit of the Bond Trustee, and further provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value thereof or the repurchase price thereof set forth in the applicable repurchase agreement;

(e) investment agreements constituting an obligation of a bank, bank holding company, savings and loan association, trust company, insurance company or other financial institution whose outstanding unsecured long-term debt is rated, at the time of such agreement, in one of the two highest rating categories by a nationally recognized rating service;

(f) short term discount obligations of the Federal National Mortgage Association and the Government National Mortgage Association; and

(g) money market mutual funds (1) that invest in Government Obligations or that are registered with the federal Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and (2) that are rated in one of the two highest categories by a nationally recognized rating service, including those for which the Bond Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise.

"Person" means any natural person, firm, association, corporation, partnership, joint stock company, a joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

"Prime Rate" means for any date of determination, the interest rate per annum publicly announced from time to time by the Bond Trustee as its "prime rate."

"Project" means, with respect to the Series 2018 Bonds, the facilities of the Institute described in the Bond Indenture, the costs of which will be paid or for which the Institute will be reimbursed or which will be refinanced, in whole or in part from the proceeds of the sale of the Series 2018 Bonds, and which constitute "educational facilities" or "health facilities," as defined in the Act, provided however, that the Institute may make changes and amendments to the Project as provided in the Loan Agreement.

"Project Fund" means the fund by that name created by the Bond Indenture, including within such fund the *"Costs of Issuance Account" "Costs of the Project Account"* and the *"Refunding Account."*

"Projected Debt Service Coverage Ratio" means, for any future period, the ratio determined by dividing (a) a numerator equal to the projected Net Revenue Available for Debt Service for that period, by (b) a

denominator equal to the Maximum Annual Debt Service for the Long-Term Indebtedness expected to be Outstanding during such period.

"Property" means, with respect to the Institute, any and all rights, titles and interests of the Institute in and to all land, leasehold interests, buildings, fixtures and equipment comprising the primary operations of the Institute, including the main campus educational facilities of the Institute located at 4415 Warwick Boulevard in Kansas City, Missouri, and any and all other property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired; provided, however, that Property of the Institute shall not include (a) any assets of "employee pension benefit plans" as defined in the Employee Retirement Income Security Act of 1974, as amended, (b) any assets of a self-insurance trust which prohibits any application of such assets for purposes which are not related to claims as defined in the governing trust document, (c) all endowment funds and property derived from gifts, grants, research contracts, bequests, donations and contributions made to or with the Institute which are specifically restricted by the donor, testator or grantor to a particular purpose, and the income and gains derived therefrom, (d) any other property, which may be established by the Institute in a certificate of an Institute Representative delivered to the Bond Trustee, upon which none of the primary operations of the Institute are conducted and which does not constitute a material or integral part of the primary operations of the Institute and is not material in the generation of Net Revenues Available for Debt Service.

"Purchase Contract" means, with respect to the Series 2018 Bonds, the Purchase Contract relating to the Series 2018 Bonds among the Authority, the Institute and the Original Purchaser, as may be supplemented or amended from time to time.

"Purchase Money Indebtedness" means Indebtedness incurred by the Institute pursuant to a purchase money contract, conditional sale agreement, installment purchase contract, capitalized lease, or other similar debt or title retention agreement in connection with the acquisition of real or personal property and secured by a purchase money mortgage, security interest or lien with respect to the property acquired by the Institute, where the lien of the seller or lender under such agreement is limited to such property.

"Qualified Credit Facility" means with respect to any Bonds or Series of Bonds, an insurance policy, surety bond, letter of credit, line of credit or other form of credit enhancement in favor of the Owners of such Bonds, issued by a bank, trust company, national banking association, insurance company or other credit enhancer with a credit rating in one of the two highest rating categories of any nationally recognized rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise), for the purpose of providing a source of funds for the payment of all or a portion of the principal of and interest on such Bonds when due.

"Qualified Liquidity Facility" means with respect to any Bonds or Series of Bonds, a letter of credit, line of credit, standby bond purchase agreement, or other liquidity facility or arrangement for liquidity support in favor of the Owners of such Bonds, issued by a bank, trust company, national banking association or other liquidity provider with a credit rating in one of the two highest rating categories of any nationally recognized rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise), for the purpose of providing a source of funds for the payment of all or a portion of the purchase price of such Bonds that are tendered for purchase by the Owners thereof.

"Qualified Swap Facility" means with respect to any Bonds or Series of Bonds, an interest rate exchange, hedge or similar agreement or facility entered into by the Institute and a swap counterparty who is a member of the International Swap Dealers Association, pursuant to which the Institute is obligated to make interest-like payments to or on behalf of another Person (based on a specific rate or formula for interest) and that Person is obligated to make similar interest-like payments to or on behalf of the Institute (based on a different rate of, or formula for, interest), with neither party obligated to repay any principal, which agreement:

(a) may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar); and

(b) does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof;

provided that either (1) the credit rating of the swap counterparty (or any guarantor thereof) is in one of the two highest rating categories of any nationally recognized rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise), or (2) if such Bonds are secured by a Qualified Credit Facility, such Qualified Swap Facility is approved in writing by the issuer or provider of such Qualified Credit Facility.

"Rating Agency" means, (a) initially, S&P Global Ratings, so long as such agency's ratings are in effect with respect to any Series of Bonds, and its successor and assigns, and (b) subsequently, any other nationally recognized securities rating service selected by the Institute that maintains a rating on any Series of Bonds.

"Rebate Fund" means the fund by that name created by the Bond Indenture.

"Refunding Indebtedness" means Long-Term Indebtedness issued for the purpose of refunding other Long-Term Indebtedness.

"Reimbursement Indebtedness" means any amounts payable by the Institute to reimburse or repay the issuer or provider of a Qualified Credit Facility, a Qualified Liquidity Facility or a Qualified Reserve Facility for amounts paid or advanced thereunder in connection with any Bonds, to refinance, pay, purchase or redeem when due, tendered or required to be paid, purchased or redeemed, Bonds under the Bond Indenture, and the obligation of the Institute to pay interest payable on amounts disbursed for such purposes, plus any fees payable to the issuer or provider of such Qualified Credit Facility, Qualified Liquidity Facility or Qualified Reserve Facility.

"Revenues" means for any period of time for which calculated the total of all operating and non-operating revenues and gains derived by the Institute during such period, determined in accordance with generally accepted accounting principles, including:

(a) gross student tuition and fees, room and board, plus

(b) other operating revenues less applicable allowances, plus

(c) non-operating revenues;

provided, however, that no determination thereof shall take into account:

(v) income derived from Defeasance Obligations,

(w) unrealized gains on investments and assets limited as to use,

(x) extraordinary gains resulting from the early extinguishment of debt or the sale, exchange or other disposition of property not in the ordinary course of business, or the reappraisal, reevaluation or write-up of assets, or any other extraordinary gains,

(y) gifts, grants, bequests or donations restricted as to use by the donor or grantor for a purpose inconsistent with the payment of Debt Service Requirements or operating expenses of the Institute, and

(z) insurance (other than business interruption) and condemnation proceeds.

For purposes of any calculation that is made with reference to both Revenues and Expenses, any deduction or reduction from revenues otherwise required by the preceding provisions of this definition shall not be made if and to the extent that the amount of such deduction is included in Expenses.

"*Series 2018 Bonds*" means the Series of Educational Facilities Revenue Bonds (Kansas City Art Institute), Series 2018, issued under the Bond Indenture.

"*Series 2018 Note*" means the Promissory Note (Kansas City Art Institute), Series 2018, of the Institute, which evidences the obligations of the Institute under the Loan Agreement to repay the loan of the proceeds of the Series 2018 Bonds to the Institute.

"*Short-Term Indebtedness*" means Indebtedness having an original maturity less than or equal to one year from the date of original incurrence thereof, and not renewable or extendible at the option of the obligor thereon for a term greater than one year beyond the date of original incurrence.

"*Subordinated Indebtedness*" means Indebtedness that by the terms thereof is specifically junior and subordinate to the Bonds, the Notes and any Parity Obligations with respect to payment of principal and interest thereon.

"*Supplemental Bond Indenture*" means any indenture supplemental or amendatory to the Bond Indenture entered into by the Authority and the Bond Trustee pursuant to the Bond Indenture.

"*Supplemental Loan Agreement*" means any agreement supplemental or amendatory to the Loan Agreement entered into by the Authority and the Institute pursuant to the Loan Agreement.

"*Tax Compliance Agreement*" means the Tax Compliance Agreement dated as of July 1, 2018, among the Authority, the Institute and the Bond Trustee, as from time to time amended in accordance with the provisions thereof.

"*Tax-Exempt Organization*" means a nonprofit organization, organized under the laws of the United States of America or any state thereof, that is an organization described in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, and is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code, or corresponding provisions of federal income tax laws from time to time in effect.

"*Trust Estate*" means the property described as the Trust Estate in the Granting Clauses of the Bond Indenture.

"*Unrestricted Net Assets*" means the unrestricted net assets of the Institute, as reflected on the most recently completed audited financial statements of the Institute or other equivalent accounting classification representing the net worth of an entity.

"*Unrestricted Receivables*" means all receipts, revenues, income and other moneys received by or on behalf of the Institute from any source and all rights to receive the same whether in the form of accounts receivable, contract rights, chattel paper, instruments, general intangibles or other rights and the proceeds thereof and of any insurance thereon; excluding, however, gifts, grants, bequests, donations and contributions to the Institute, and the income and gains derived therefrom, which are specifically restricted by the donor, testator or grantor to a particular purpose which is inconsistent with their use for payments required under the Bond Indenture or the Loan Agreement or on the Notes.

SUMMARY OF THE BOND INDENTURE

The Bond Indenture specifies the details and terms of the Bonds as set out in the Official Statement. The following is a summary of certain other provisions contained in the Bond Indenture. Reference is made to the Bond Indenture for a complete recital of the provisions thereof.

Trust Estate

The Trust Estate under the Bond Indenture consists of the following property (the *"Trust Estate"*):

(a) all right, title and interest of the Authority (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (1) the Loan Agreement, including, without limitation, all Loan Payments and other payments to be received by the Authority and paid by the Institute under and pursuant to and subject to the provisions of the Loan Agreement (except the Authority's rights to payment of its fees and expenses and to indemnification as set forth in the Loan Agreement and as otherwise expressly set forth therein), (2) the Series 2018 Note, and (3) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Series 2018 Bonds;

(b) all moneys and securities (except moneys and securities held in the Rebate Fund) from time to time held by the Bond Trustee in the funds and accounts under the terms of the Bond Indenture; and

(c) any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Bond Indenture by the Authority or by anyone in its behalf or with its written consent, to the Bond Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Bond Indenture.

Creation of Funds and Accounts

There are established in the custody of the Bond Trustee the following special trust funds and accounts with respect to the Bonds, to be designated as follows:

(a) "Health and Educational Facilities Authority of the State of Missouri--Kansas City Art Institute Project Fund", and within such fund 3 separate and segregated trust accounts designated the *"Costs of the Project Account," "Costs of Issuance Account"* and the *"Refunding Account."*

(b) "Health and Educational Facilities Authority of the State of Missouri--Kansas City Art Institute Debt Service Fund".

(c) "Health and Educational Facilities Authority of the State of Missouri--Kansas City Art Institute Rebate Fund".

The Bond Trustee is authorized to establish separate accounts or subaccounts within such funds or otherwise segregate moneys within such funds, on a book-entry basis or in such other manner as the Bond Trustee may deem necessary or convenient, or as the Bond Trustee shall be instructed by the Authority.

All moneys deposited with or paid to the Bond Trustee for the funds and accounts held under the Bond Indenture shall be held by the Bond Trustee in trust and shall be applied only in accordance with the provisions of the Bond Indenture and the Loan Agreement, and, until used or applied as provided thereunder (except for moneys in the Rebate Fund), shall constitute part of the Trust Estate and be subject to the lien, terms and provisions of the Bond Indenture and shall not be commingled with any other funds of the Authority or the Institute except as provided under the Bond Indenture for investment purposes.

Authorization of Bonds

The Authority may issue one or more Series of Bonds from time to time under the Bond Indenture, but subject to the provisions of the Bond Indenture and any Supplemental Bond Indenture authorizing such Series of Bonds. No Bonds may be issued under the Bond Indenture except in accordance with the provisions of the Bond Indenture. The total principal amount of Bonds, the number of Bonds and Series of Bonds that may be issued under the Bond Indenture is not limited, except with respect to the Series 2018 Bonds as provided under the Bond Indenture, and with respect to Parity Bonds, as provided in the Bond Indenture and in the Supplemental Bond Indenture providing for the issuance thereof, and except as may be limited by law.

Authorization of Parity Bonds

Parity Bonds may be issued under and equally and ratably secured by the Bond Indenture on parity (except as otherwise provided in this Section) with the Series 2018 Bonds and any other Parity Bonds at any time, upon compliance with the conditions set forth under the Loan Agreement, for any purpose authorized under the Act.

Such Parity Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Bond Indenture as the Series 2018 Bonds and any other Parity Bonds. Parity Bonds may be secured by a separate debt service reserve fund or comparable reserve fund established at the time of issuance of such Parity Bonds as provided in the Supplemental Bond Indenture authorizing such Parity Bonds which may be funded from the proceeds of the sale of such Parity Bonds or other available moneys.

Except as provided under the Bond Indenture, the Authority will not otherwise issue any obligations on a parity with the Bonds.

Qualified Credit Facilities

The Supplemental Bond Indenture providing for the issuance of a Series of Bonds may provide that the Institute obtain or cause to be obtained as additional security for such Series of Bonds (or one or more maturities thereof) a Qualified Credit Facility providing for payment of the principal and interest due or to become due on such Bonds of such Series. Any such additional security with respect to a particular Series of Bonds (or one or more maturities thereof) need not extend to any other Series of Bonds unless required under the Bond Indenture. The Supplemental Bond Indenture pursuant to which any Series of Bonds is issued may provide for such additional security and permit realization upon such security solely for the benefit of the Bonds entitled thereto, and as are not inconsistent with the intent of the Bond Indenture.

The Institute may include such provisions in a Supplemental Bond Indenture authorizing the issuance of a Series of Bonds secured by a Qualified Credit Facility as the Institute deems appropriate, including provisions to the effect that:

(a) So long as the Qualified Credit Facility is in full force and effect, and payment on the Qualified Credit Facility is not in default, (1) the issuer or provider of the Qualified Credit Facility shall be deemed to be the Owner of the Outstanding Bonds of such Series (or portion thereof secured thereby) when the approval, consent or action of the Bondowners of such Series of Bonds is required or may be exercised under the Bond Indenture, including upon occurrence of an Event of Default, and (2) the Bond Indenture may not be amended in any manner which adversely affects the rights of the issuer of such Qualified Credit Facility without its prior written consent.

(b) In the event that the principal and redemption price, if applicable, and interest due on any Series of Bonds Outstanding (or portion thereof secured thereby) shall be paid under the provisions of a Qualified Credit Facility, all covenants, agreements and other obligations of the Institute to the Bondowners of such Series of Bonds (or portion thereof secured thereby) shall continue to exist and the issuer or provider of such Qualified Credit Facility shall be subrogated to the rights of such Bondowners in accordance with the terms of such Qualified Credit Facility and the Supplemental Bond Indenture.

In addition, such Supplemental Bond Indenture may establish such provisions as are necessary (a) to comply with the provisions of such Qualified Credit Facility, (b) to provide relevant information to the issuer or provider of such Qualified Credit Facility, (c) to provide a mechanism for paying principal or redemption price of and interest on such Series of Bonds (or portion thereof secured thereby) from such Qualified Credit Facility, (d) to make provision for any Events of Default or for additional or improved security required by the issuer or provider of such Qualified Credit Facility, and (e) to authorize agreements with the provider or issuer of such Qualified Credit Facility providing for (1) the payment of fees and expenses to such issuer or provider for the issuance of such Qualified Credit Facility, (2) the terms and conditions of such Qualified Credit Facility and the Series of Bonds (or portion thereof secured thereby) affected thereby, including the security, if any, to be provided for the issuance of such Qualified Credit Facility, (3) such adjustments to the rate of interest, method of determining the rate of interest, maturity or redemption provisions as are specified by the Institute or determined as provided in such Supplemental Bond Indenture or in any agreement referred to therein, and (4) the obligation to reimburse the provider of such Qualified Credit Facility for payment of Bonds pursuant to such Qualified Credit Facility on either a parity or subordinated basis with respect to such Series of Bonds (any such direct reimbursement obligations shall constitute Reimbursement Indebtedness).

Qualified Liquidity Facilities

The Supplemental Bond Indenture providing for the issuance of a Series of Bonds may provide that the Institute obtain or cause to be obtained for such Series of Bonds (or one or more maturities thereof) a Qualified Liquidity Facility providing for payment of the purchase price of such Bonds that are tendered for purchase by the Owners thereof.

Such Supplemental Bond Indenture may establish such provisions as are necessary (a) to comply with the provisions of such Qualified Liquidity Facility, (b) to provide relevant information to the issuer or provider of such Qualified Liquidity Facility, (c) to provide a mechanism for paying the purchase price of tendered Bonds of such Series of Bonds from such Qualified Liquidity Facility, (d) to make provision for any Events of Default or for additional or improved security required by the issuer or provider of such Qualified Liquidity Facility, and (e) to authorize agreements with the provider or issuer of such Qualified Liquidity Facility providing for (1) the payment of fees and expenses to such issuer or provider for the issuance of such Qualified Liquidity Facility, (2) the terms and conditions of such Qualified Liquidity Facility and the Series of Bonds (or portion thereof) supported thereby, including the security, if any, to be provided for the issuance of such Qualified Liquidity Facility, (3) such adjustments to the rate of interest, method of determining the rate of interest, maturity or redemption provisions as are specified by the Institute or determined as provided in such Supplemental Bond Indenture or in any agreement referred to therein, and (4) the obligation to reimburse the provider of such Qualified Liquidity Facility for purchase of Bonds pursuant to such Qualified Liquidity Facility on either a parity or subordinated basis with respect to such Series of Bonds (any such direct reimbursement obligations shall constitute Reimbursement Indebtedness).

Qualified Swap Facilities

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Institute may obtain or enter into a Qualified Swap Facility providing for certain payments by the Institute and a swap counterparty, which payments are calculated by reference to fixed or variable rates and constituting a financial accommodation between the Institute and such swap counterparty if

(a) the Institute determines that any such agreement (1) will assist the Institute in more effectively managing its interest costs or cash flow, and (2) will not result in a downward revision or withdrawal of any rating on any Series of Bonds by a nationally recognized rating service, and (b) the Institute would be in compliance with the conditions for the issuance of such Series of Bonds to which the Qualified Swap Facility relates assuming such Bonds were being issued at the time the Institute enters into the Qualified Swap Facility.

The Institute may determine from time to time to enter into one or more Qualified Swap Facilities, provided that the Institute and the Bond Trustee execute a Supplemental Bond Indenture which may include provisions that:

(a) Set forth the manner or method for the calculation of the payments and receipts under such Qualified Swap Facility and the scheduled payment dates therefor;

(b) Provide that (1) payments under such Qualified Swap Facility (other than the amount, if any, payable by the Institute, or by the Bond Trustee for the account of the Institute, as a result of the termination of any Qualified Swap Facility or other fees) shall be made by the Institute (or by the Bond Trustee for the account of the Institute) out of a special account in the Debt Service Fund, on a parity with the principal of and interest on the Bonds, or (2) payments shall be made by the Institute out of a subordinate account; provided, however, that no payments under such Qualified Swap Facility may be payable from or secured by amounts on deposit in a debt service reserve fund; and provided further, that payments of any termination or other fees, expenses, indemnification or other obligations to a swap counterparty shall be payable only on a parity or subordinated basis with the Bonds; and

(c) Provide that receipts received by the Institute or the Bond Trustee under such Qualified Swap Facility shall be deposited promptly upon receipt into a special account in the Debt Service Fund; and any amounts received by the Institute from a swap counterparty relating to a Qualified Swap Facility (other than a lump sum payment made upon the commencement of a related swap or as a termination payment in respect of a related swap) shall be deposited in the Debt Service Fund to the extent that at the time of a receipt by the Institute of such amount the amount then on deposit therein shall be less than the amount then required to be on deposit therein and any amounts not required to be so deposited shall be deposited with the Institute.

Costs of Issuance Account

Moneys in the Costs of Issuance Account in the Project Fund shall be used solely for the purpose of paying Costs of Issuance. At such time as the Bond Trustee is furnished with a certificate of an Institute Representative stating that all Costs of Issuance have been paid, and in any case not later than 6 months from the date of original issuance of the Series 2018 Bonds, the Bond Trustee shall transfer any moneys remaining in the Costs of Issuance Account to the Debt Service Fund.

Costs of the Project Account

Moneys in the Costs of the Project Account in the Project Fund shall be used solely for the purpose of paying Costs of the Project, as provided under the Bond Indenture and in accordance with the plans and specifications therefor, including any alterations in or amendments to said plans and specifications deemed advisable by the Institute and approved in accordance with the Loan Agreement.

If after payment by the Bond Trustee of all disbursement requests theretofore submitted to the Bond Trustee under the provisions of the Bond Indenture and after receipt by the Bond Trustee of a Certificate of an Institute Representative required under the Bond Indenture relating to completion of the Project and after all rebatable earnings have been transferred to the Rebate Fund pursuant to the Bond Indenture, there shall remain any moneys in the Project Fund, such moneys shall be deposited and applied in the following order of priority:

(a) in the Debt Service Fund to pay the next successive principal payment on the Series 2018 Bonds to become due; and (b) in the Debt Service Fund and used to redeem Series 2018 Bonds at the earliest permissible date under the Bond Indenture; provided, in the discretion of the Institute, such moneys may be applied for any other purpose that, based on an Opinion of Bond Counsel addressed and delivered to the Bond Trustee and the Authority, will not adversely affect the exclusion of the interest on the Series 2018 Bonds from gross income for federal income tax purposes.

If an Event of Default specified in the Bond Indenture has occurred and is continuing and the Bonds have been declared due and payable pursuant to the Bond Indenture, any balance remaining in the Costs of the Project Account, other than amounts required to be transferred to the Rebate Fund pursuant to the Bond Indenture, shall without further authorization be deposited in the Debt Service Fund by the Bond Trustee with advice to the Institute and to the Authority of such action.

Debt Service Fund

The Bond Trustee shall deposit and credit to the Debt Service Fund, as and when received, as follows:

(a) all Loan Payments made by the Institute pursuant to the Loan Agreement.

(b) any amount required to be transferred to the Debt Service Fund from the Costs of Issuance Account in the Project Fund.

(c) interest earnings and other income on Permitted Investments required to be deposited in the Debt Service Fund pursuant to the Bond Indenture.

(d) any amounts required by a Supplemental Bond Indenture authorizing the issuance of Parity Bonds to be deposited in the Debt Service Fund, as specified in such Supplemental Bond Indenture.

(e) All other moneys received by the Bond Trustee under and pursuant to any of the provisions of the Bond Indenture or the Loan Agreement for deposit into the Debt Service Fund.

The moneys in the Debt Service Fund shall be held in trust and, except as otherwise provided in the Bond Indenture, shall be expended solely (a) to pay interest on the Bonds as the same becomes due, (b) to pay principal of the Bonds as the same mature or become due and upon mandatory sinking fund redemption thereof, and (c) to pay principal of and redemption premium, if any, on the Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity.

The Bond Trustee, upon the written instructions from the Authority given pursuant to written direction of the Institute, shall use excess moneys in the Debt Service Fund to redeem all or part of the Bonds Outstanding and to pay interest to accrue thereon prior to such redemption and redemption premium, if any, on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the Institute, in accordance with the redemption provisions of the Bond Indenture, so long as the Institute is not in default with respect to any payments under the Loan Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption. The Institute may cause such excess money in the Debt Service Fund or such part thereof or other moneys of the Institute, as the Institute may direct, to be applied by the Bond Trustee on a best efforts basis for the purchase of Bonds in the open market for the purpose of cancellation at prices not exceeding the principal amount thereof plus accrued interest thereon to the date of such purchase.

After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or after provision has been made for the payment thereof as provided in the Bond Indenture), all rebatable arbitrage to the United States and the fees, charges and expenses of the Bond Trustee and the Authority, and any other amounts required to be paid under the Bond Indenture and the Loan Agreement, all amounts remaining in the Debt Service Fund shall be paid to the Institute upon the expiration or sooner termination of the Loan Agreement.

Rebate Fund

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. All amounts on deposit at any time in the Rebate Fund shall be held by the Bond Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and neither the Institute, the Authority nor the Owner of any Bonds shall have any rights in or claim to such money.

Pursuant to the Tax Compliance Agreement, the Bond Trustee shall remit from moneys in the Rebate Fund all rebate installments and a final rebate payment to the United States. Neither the Bond Trustee nor the Authority shall have any obligation to pay any amounts required to be rebated pursuant to this Section and the Tax Compliance Agreement, other than from moneys held in the Rebate Fund created under the Bond Indenture as provided in the Bond Indenture or from other moneys provided to it by the Institute. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and paid to the Institute.

Payments Due on Non-Business Days

In any case where the date of maturity of principal of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Events of Default

The term *"Event of Default"*, wherever used in the Bond Indenture, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on any Bond when such interest becomes due and payable;

(b) default in the payment of the principal of (or premium, if any, on) any Bond when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise);

(c) default in the performance, or breach, of any covenant or agreement of the Authority in the Bond Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in the Bond Indenture), and continuance of such default or breach for a period of **60** days after there has been given to the Authority and the Institute by the Bond Trustee or to the Authority, the Institute and the Bond Trustee by the Owners of at least **25%** in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60-**day period, but can reasonably be expected to be fully remedied, such default shall not constitute an Event of Default if the Authority shall promptly upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

(d) any Event of Default under the Loan Agreement shall occur and is continuing and has not been waived in accordance with the provisions of the Loan Agreement.

With regard to any alleged default concerning which notice is given to the Institute under the provisions of the Bond Indenture, the Authority hereby grants the Institute full authority for the account of the Authority to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Authority, with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts in order to remedy such default.

Acceleration of Maturity; Rescission and Annulment

If an Event of Default occurs and is continuing, the Bond Trustee may or if requested by the Owners of not less than **25%** in principal amount of the Bonds Outstanding shall, by written notice to the Authority and the Institute, declare the principal of all Bonds Outstanding and the interest accrued thereon to the date of acceleration to be due and payable, and upon any such declaration such principal and interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Bond Trustee as provided in the Bond Indenture, the Owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Authority, the Institute and the Bond Trustee, rescind and annul such declaration and its consequences if:

(a) there is deposited with the Bond Trustee a sum sufficient to pay the following:

(1) all overdue installments of interest on all Bonds (including any interest on overdue installments at the interest rate as may be set forth in the Supplemental Bond Indenture applicable to a Series of Bonds);

(2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds;

(3) all sums paid or advanced by the Bond Trustee and the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel; and

(b) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Bond Indenture.

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

Exercise of Remedies by the Bond Trustee

Upon the occurrence and continuance of any Event of Default under the Bond Indenture, unless the same is waived as provided in the Bond Indenture, the Bond Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Bond Indenture or by law:

(a) *Right to Bring Suit, Etc.* The Bond Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Bond Indenture, to realize on or to foreclose any of its interests or liens under the Bond Indenture or any other Financing Document, to enforce and compel the performance of the duties and obligations of the Authority as set forth in the Bond Indenture and to enforce or preserve any other rights or interests of the Bond Trustee under the Bond Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the Owners of not less than **25%** in principal amount of Bonds Outstanding and if indemnified as provided in the Bond Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and remedies conferred under the Bond Indenture as the Bond Trustee shall deem most expedient in the interests of the Bondowners.

(c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the Bondowners under the Bond Indenture, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) *Suits to Protect the Trust Estate*. The Bond Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Bond Indenture and to protect its interests and the interests of the Bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Bond Indenture or be prejudicial to the interests of the Bondowners or the Bond Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Bondowners in any judicial proceeding to which the Authority or the Institute is a party and which in the judgment of the Bond Trustee has a substantial bearing on the interests of the Bondowners.

(e) *Enforcement Without Possession of Bonds.* All rights of action under the Bond Indenture or any of the Bonds may be enforced and prosecuted by the Bond Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Bond Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, and subject to the provisions of the Loan Agreement, be for the equal and ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

(f) *Restoration of Positions.* If the Bond Trustee or any Bondowner has instituted any proceeding to enforce any right or remedy under the Bond Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bond Trustee or to such Bondowner, then and in every case the Authority, the Institute, the Bond Trustee and the Bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Bond Indenture, and thereafter all rights and remedies of the Bond Trustee and the Bondowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners

No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under the Bond Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Bond Indenture, unless:

(a) such Owner has previously given written notice to the Bond Trustee of a continuing Event of Default;

(b) the Owners of not less than **25%** in principal amount of the Bonds Outstanding shall have made written request to the Bond Trustee to institute proceedings in respect of such Event of Default in its own name as Bond Trustee under the Bond Indenture;

(c) such Owner or Owners have offered to the Bond Trustee indemnity as provided in the Bond Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Bond Trustee for **60** days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Bond Trustee during such **60-**day period by the Owners of a majority in principal amount of the Outstanding Bonds;

it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Bond Indenture to affect, disturb or prejudice the lien of the Bond Indenture or the rights of any other Owners of Bonds, or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Bond Indenture, except in the manner provided in the Bond Indenture and for the equal and ratable benefit of all Outstanding Bonds.

Notwithstanding the foregoing or any other provision in the Bond Indenture, however, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the respective stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and nothing contained in the Bond Indenture shall affect or impair the right of any Owner to institute suit for the enforcement of any such payment.

Control of Proceedings by Bondowners

The Owners of a majority in principal amount of the Bonds Outstanding shall have the right, during the continuance of an Event of Default,

(a) to require the Bond Trustee to proceed to enforce the Bond Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Bond Indenture, or otherwise; and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under the Bond Indenture, provided that:

    (1) such direction shall not be in conflict with any rule of law or the Bond Indenture;

    (2) the Bond Trustee may take any other action deemed proper by the Bond Trustee which is not inconsistent with such direction; and

(3) the Bond Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction.

Notwithstanding any provision of the Bond Indenture, if the Institute provides to the Bond Trustee and the Authority an Opinion of Bond Counsel to the effect that any action required under the Bond Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusion of interest on the Bonds from federal gross income, the Bond Trustee and the Authority may conclusively rely on such opinion in complying with the provisions of the Bond Indenture, and the covenants under the Bond Indenture shall be deemed to be modified to that extent.

Application of Moneys Collected

Any moneys collected by the Bond Trustee pursuant to the Bond Indenture (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys), together with any other sums then held by the Bond Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Bond Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) **First:** To the payment of all amounts due the Bond Trustee under the Bond Indenture;

(b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding Bonds and Parity Obligations for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds and the Parity Obligations) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds and Parity Obligations, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due;

(c) **Third:** To the payment of the remainder, if any, to the Institute or to anyone lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of the Bond Indenture, such moneys shall be applied by it at such times, and from time to time, as the Bond 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 Bond Trustee shall apply such moneys, it shall fix the 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 date shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Waiver of Past Defaults

Before any judgment or decree for payment of money due has been obtained by the Bond Trustee as provided in the Bond Indenture, the Owners of a majority in principal amount of the Bonds Outstanding may, by written notice delivered to the Bond Trustee and the Authority, on behalf of the Owners of all the Bonds waive any past default under the Bond Indenture and its consequences, except a default (a) in the payment of the principal of (or premium, if any) or interest on any Bond, or (b) in respect of a covenant or provision of the Bond

Indenture which cannot be modified or amended without the consent of the Owner of each Outstanding Bond affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Bond Indenture; but no such waiver shall extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

Supplemental Bond Indentures without Consent of Bondowners

Without the consent of the Owners of any Bonds, the Authority and the Bond Trustee may from time to time enter into one or more Supplemental Bond Indentures for any of the following purposes:

(a) to more precisely identify the facilities financed or refinanced with proceeds of the Bonds, or to substitute or add additional property thereto as permitted by the Loan Agreement, or to correct or amplify the description of any property at any time subject to the lien of the Bond Indenture, or better to assure, convey and confirm unto the Bond Trustee any property subject or required to be subjected to the lien of the Bond Indenture, or to subject to the lien of the Bond Indenture additional property;

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any Series of Bonds, as set forth in the Bond Indenture, additional conditions, limitations and restrictions thereafter to be observed;

(c) to authorize the issuance of any Series of Parity Bonds and make such other provisions as provided in the Bond Indenture;

(d) to modify or eliminate any of the terms of the Bond Indenture; provided, however, that: (1) such Supplemental Bond Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any Series issued prior to the execution of such Supplemental Bond Indenture, and (2) the Bond Trustee may, in its discretion, decline to enter into any such Supplemental Bond Indenture which, in its opinion, may not afford adequate protection to the Bond Trustee when the same becomes operative;

(e) to evidence the appointment of a separate Bond Trustee or the succession of a new Bond Trustee under the Bond Indenture;

(f) to add to the covenants of the Authority or to the rights, powers and remedies of the Bond Trustee for the benefit of the Owners of all of the Bonds or to surrender any right or power conferred upon the Authority under the Bond Indenture;

(g) to cure any ambiguity, to correct or supplement any provision in the Bond Indenture which may be inconsistent with any other provision in the Bond Indenture or to make any other change, with respect to matters or questions arising under the Bond Indenture, which shall not be inconsistent with the provisions of the Bond Indenture, provided such action shall not materially adversely affect the rights of the Owners of the Bonds under the Bond Indenture;

(h) to modify, eliminate or add to the provisions of the Bond Indenture to such extent as shall be necessary to effect the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States; or

(i) to authorize a Qualified Credit Facility, Qualified Liquidity Facility, or Qualified Swap Facility with respect to any Series of Bonds permitted under the Bond Indenture.

Supplemental Bond Indentures with Consent of Bondowners

With the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Bond Indenture, the Authority and the Bond Trustee may enter into one or more Supplemental Bond Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Indenture or of modifying in any manner the rights of the Owners of the Bonds under the Bond Indenture; provided, however, that no such Supplemental Bond Indenture shall, without the consent of the Owner of each Outstanding Bond affected thereby, carry out any of the following:

(a) change the stated maturity of the principal of, or any mandatory sinking fund payment with respect to, or any installment of interest on, any Bond, or change any optional redemption date thereof, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Bond or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners is required for any such Supplemental Bond Indenture, or the consent of whose Owners is required for any waiver provided for in the Bond Indenture of compliance with certain provisions of the Bond Indenture or certain defaults under the Bond Indenture and their consequences;

(c) modify the obligation of the Authority to make payment on or provide funds for the payment of any Bond;

(d) modify any of the provisions of the Bond Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Indenture cannot be modified or waived without the consent of the Owner of each Bond affected thereby; or

(e) permit the creation of any lien ranking prior to or on a parity with the lien of the Bond Indenture with respect to any of the Trust Estate or terminate the lien of the Bond Indenture on any property at any time subject hereto or deprive the Owner of any Bond of the security afforded by the lien of the Bond Indenture.

The Bond Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Bond Indenture and any such determination shall be conclusive upon the Owners of all Bonds, whether theretofore or thereafter authenticated and delivered under the Bond Indenture. The Bond Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for the required percentage of owners of Bonds under the Bond Indenture to approve the particular form of any proposed Supplemental Bond Indenture, but it shall be sufficient if such act shall approve the substance thereof.

Payment, Discharge and Defeasance of Bonds

Bonds will be deemed to be paid and discharged and no longer Outstanding under the Bond Indenture and will cease to be entitled to any lien, benefit or security of the Bond Indenture if the Authority shall pay or provide for the payment of such Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by delivering such Bonds to the Bond Trustee for cancellation; or

(c) by depositing in trust with the Bond Trustee, or other paying agent or escrow agent meeting the same eligibility requirements of the Bond Trustee under the Bond Indenture, moneys and Defeasance Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Bond Indenture or provision satisfactory to the Bond Trustee is made for the giving of such notice.

Bonds may be defeased in advance of their maturity or redemption dates pursuant to subsection (c) above, subject to receipt by the Bond Trustee and the Authority of the following:

(1) if the deposit of cash and/or Government Obligations with the Bond Trustee is more than **180** days prior to the scheduled full payment of the Bonds, a verification report prepared by independent certified public accountants, or other verification agent, addressed to and satisfactory to the Bond Trustee and the Authority, to the effect that such moneys and Government Obligations are sufficient for the payment in full of the principal of and redemption premium, if any, and interest on such Bonds on the scheduled maturity or redemption dates; and

(2) an Opinion of Bond Counsel addressed and delivered to the Bond Trustee, the Authority and the Bank to the effect that so providing for the payment of such Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

The foregoing notwithstanding, the liability of the Authority in respect of such Bonds shall continue, but the Owners thereof shall thereafter be entitled to payment only out of the moneys and Defeasance Obligations deposited with the Bond Trustee as aforesaid.

Moneys and Defeasance Obligations so deposited with the Bond Trustee (or other paying agent or escrow agent) pursuant to the Bond Indenture shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Defeasance Obligations shall be applied by the Bond Trustee to the payment to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such moneys and Defeasance Obligations have been deposited with the Bond Trustee.

Satisfaction and Discharge of Bond Indenture

The Bond Indenture and the lien, rights and interests created by the Bond Indenture shall cease, determine and become null and void (except as to any surviving rights under the Bond Indenture) if the following conditions are met:

(a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Bond Indenture;

(b) all other sums payable under the Bond Indenture with respect to the Bonds are paid or provision satisfactory to the Bond Trustee is made for such payment;

(c) the Bond Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) addressed and delivered to the Bond Trustee and the Authority to the effect that so providing for the payment of the Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Bond Indenture; and

(d) the Bond Trustee receives an Opinion of Bond Counsel addressed and delivered to the Bond Trustee and the Authority to the effect that all conditions precedent in the Bond Indenture to the satisfaction and discharge of the Bonds and the Bond Indenture have been complied with.

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SUMMARY OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement (referred to herein as the "Agreement" or the "Loan Agreement"). Reference is made to the Agreement in its entirety for a complete recital of the provisions thereof.

Loan of Funds to the Institute

The Authority shall make the Loan to the Institute, using the proceeds of the sale of the Series 2018 Bonds, and the Institute shall receive such Loan from the Authority, for the purposes and upon the terms and conditions provided in the Loan Agreement and in the Bond Indenture. The Loan shall be evidenced by the Series 2018 Note.

Use of Proceeds

The proceeds of the Bonds loaned to the Institute shall be paid to the Bond Trustee for deposit in the Project Fund under the Bond Indenture and shall be administered, disbursed and applied for payment of Costs of the Project, refunding the Refunded Bonds and paying Costs of Issuance of the Bonds in the manner provided in the Loan Agreement and the Bond Indenture.

The Institute shall cause the Project to be completed with reasonable dispatch, and shall provide (from its own funds if required) all moneys necessary to complete the Project substantially in accordance with the plans and specifications for the Project. The Institute shall comply with all of the provisions and shall perform all obligations of the Institute set forth in the Bond Indenture with respect to the completion of the Project.

Changes to the Project

The Institute may make, authorize or permit changes to the Project as it may reasonably determine to be necessary or desirable; provided, however, that no change shall be made to the Project that would cause a material change in the scope, nature, or function of the Project, unless the Institute files the following with the Bond Trustee:

(a) a certificate of an Institute Representative to the effect that the Project will, after such change, continue to constitute facilities authorized and permitted to be financed under the Act, and such change will not result in any Property of the Institute being used for any purpose prohibited by the Loan Agreement or otherwise result in the Institute failing to comply with any provisions of the Loan Agreement; and

(b) an Opinion of Bond Counsel addressed to the Bond Trustee and the Authority to the effect that such change will not adversely affect the exclusion of the interest on the Series 2018 Bonds from gross income for federal income taxation purposes.

If any change would render materially inaccurate the description of the Project in the Bond Indenture, there shall be delivered to the Bond Trustee a revised description of the Project that reflects the change in the Project, the accuracy of which shall be certified by a certificate of an Institute Representative.

Loan Payments.

The Institute shall make the following payments in repayment of the Loan and to provide for payment of the principal of, redemption premium, if any, and interest on the Bonds, directly to the Bond Trustee, in immediately available funds, for deposit in the Debt Service Fund, on the following dates, and, and otherwise as set out below:

(a) *Debt Service Fund-Interest:* On or before the 5th Business Day before each interest payment date or any other date that any payment of interest is required to be made in respect of the Bonds pursuant to the Bond Indenture, an amount which, together with any other moneys available for such purpose in the Debt Service Fund, is not less than the interest to become due on the Bonds on such interest payment date or other date that interest is due.

(b) *Debt Service Fund-Principal:* On or before the 5th Business Day before each Principal Payment Date on the Bonds (whether at maturity or upon mandatory sinking fund redemption or acceleration or otherwise), an amount which, together with any other moneys available for such purpose in the Debt Service Fund, is not less than the principal due on the Bonds on the such Principal Payment Date by maturity, mandatory sinking fund redemption, acceleration or otherwise.

(c) *Debt Service Fund-Redemption:* On or before the date required by the Loan Agreement or the Bond Indenture, the amount required to redeem Bonds then Outstanding if the Institute exercises its right to redeem Bonds under any provision of the Bond Indenture or if any Bonds are required to be redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Bond Indenture.

Additional Payments.

The Institute shall make the following additional payments to the following Persons:

(a) to the Authority, upon demand, its regular fees and charges and all reasonable expenses, including attorneys fees, incurred by the Authority in relation to the Bonds and the transactions contemplated by the Loan Agreement, the Bond Indenture or any of the Financing Documents.

(b) to the Bond Trustee, the authenticating agents, paying agents, registrars, counsel, accountants, rebate analysts and other Persons when due, all reasonable fees, charges and expenses of such Persons for services rendered under the Bond Indenture and under any of the Financing Documents and expenses incurred in the performance of such services under the Bond Indenture or any of the Financing Documents for which such Persons are entitled to payment or reimbursement, including expenses of compliance with the Tax Compliance Agreement or the Continuing Disclosure Certificate.

(c) to the Bond Trustee the amount of all advances of funds made by the Bond Trustee under the provisions of the Loan Agreement or the Bond Indenture, with interest thereon at the Prime Rate announced from time to time by the Bond Trustee.

(d) to the United States Government or the Bond Trustee for deposit in the Rebate Fund all rebate payments required under the Tax Compliance Agreement and Section 148(f) of the Internal Revenue Code, to the extent such amounts are not available to the Bond Trustee in the Rebate Fund held under the Bond Indenture.

(e) *i*n the event the Institute defaults under any of the provisions of the Loan Agreement and the Bond Trustee employs attorneys or incurs other fees, charges and expenses for the collection of required payments or the enforcement of performance or observance of any obligation or agreement on the part of the Institute contained in the Loan Agreement or the Bond Indenture, the Institute on demand therefor shall pay to the Bond Trustee the reasonable fees and expenses of such attorneys and such other fees, charges and expenses so incurred by the Bond Trustee.

(f) all taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or the Bond Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated by the Loan Agreement, but excluding any taxes based upon the capital and/or income of the Bond Trustee or any other Person other than the Institute.

(g) to the Person or Persons entitled thereto, any other amounts which the Institute has agreed to pay under the Loan Agreement or which the Institute is required to pay under the Bond Indenture.

Obligations Absolute and Unconditional

The Institute shall pay all such amounts due and payable under the Loan Agreement using any and all available resources of the Institute, as necessary. The Institute shall pay all Loan Payments and other payments due under the Loan Agreement and perform its obligations, covenants and agreements under the Loan Agreement, without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment, discrimination or defense or any right of termination or cancellation arising from any circumstances whatsoever, and regardless of the invalidity of any portion of the Loan Agreement, and, to the extent permitted by law, the Institute waives the provisions of any statute or other law now or hereafter in effect contrary to any of its obligations, covenants or agreements under the Loan Agreement or which releases or purports to release the Institute therefrom. Nothing in the Loan Agreement shall be construed as a waiver by the Institute of any rights or claims the Institute may have against the Authority or the Bond Trustee under the Loan Agreement or otherwise, but any recovery upon such rights or claims shall be had from the Authority or the Bond Trustee separately, it being the intent of the Loan Agreement that the Institute shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under the Loan Agreement for the benefit of the Owners of the Bonds.

Pledge of Unrestricted Receivables

To secure the Loan Payments and all Parity Obligations and the performance of the duties and obligations of the Institute under the Loan Agreement and any Parity Obligations, the Institute hereby pledges and assigns to the Authority and its successors and assigns and grants a security interest in all Unrestricted Receivables of the Institute.

The Institute shall take all necessary action to maintain and preserve the security interest in Unrestricted Receivables granted by the Loan Agreement so long as any Bonds or Notes are Outstanding or any Parity Obligations remain outstanding. The Institute shall cause the Loan Agreement and any financing statements in respect thereof to be promptly filed and recorded in such manner and in such places as may be required by law in order to fully perfect and protect such security interest and to preserve and protect the rights of the holders of the Notes, any Parity Obligations and the Bond Trustee, and from time to time will perform or cause to be performed any other act as provided by law and will execute or cause to be executed any and all continuation statements and further instruments that may be requested by the Bond Trustee or the holders of any Parity Obligations for such perfection and protection.

Notwithstanding the security interest granted in the Institute's Unrestricted Receivables under the Loan Agreement, it is understood and agreed that so long as the Institute makes when due and payable all Loan Payments, all payments of principal of and interest on Parity Obligations, and all Additional Payments required by the Loan Agreement, including without limitation the payments described in the Loan Agreement, the Institute shall be entitled to utilize its Unrestricted Receivables for its proper corporate purposes as determined by the Institute in its sole discretion consistent with the terms of this Loan Agreement and the Tax Compliance Agreement.

Corporate Existence and Tax-Exempt Status

Except as otherwise expressly provided in the Loan Agreement, the Institute shall (a) preserve and keep in full force and effect its corporate or other separate legal existence, (b) remain qualified to do business and conduct its affairs in each jurisdiction where ownership of its Property or the conduct of its business or affairs requires such qualification, and (c) maintain its status as a Tax-Exempt Organization and as a "health institution" or an "educational institution" under the Act.

Maintenance and Use of Property

The Institute shall cause all of its Property used or useful in the conduct of its business and operations to be maintained, preserved and kept in good repair and working order and condition and in as safe condition as its operations will permit and shall make all repairs, renewals, replacements and improvements thereof necessary for the efficient conduct of its business and operations, and shall, during the term of the Bonds, operate the facilities financed and refinanced by the Bonds, as "educational facilities" within the meaning of the Act. Nothing in the Loan Agreement shall obligate the Institute to preserve, repair, renew or replace any Property no longer used or no longer useful in the conduct of its business, or prevent the Institute from discontinuing the operation of any of its Property or from removing or demolishing any building or buildings, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its governing board) such discontinuance is desirable in the conduct of its business. The Institute may make additions, alterations and changes to its Property so long as such additions, alterations and changes are made in compliance with the provisions of the Loan Agreement and will not result in a violation of the provisions of the Loan Agreement, and the Institute may dispose of any Property as permitted by the Loan Agreement.

Subject to the provisions of the Loan Agreement, the Institute shall have the right to use its Property for any purpose allowed by law and permitted by the Act. The Authority reserves no power or authority with respect to the operation of the Property by the Institute and activities incident thereto, it being the intention of the parties to the Loan Agreement that so long as the Institute shall duly and faithfully observe and perform all of the terms, covenants, provisions and agreements of the Loan Agreement, the Institute shall manage, administer and govern the Property of the Institute in its activities and affairs on a continuing day-to-day basis.

Compliance with Laws and Regulations

The Institute shall conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States of America and the several states thereof and observe and conform to all valid orders, regulations or requirements of any governmental authority applicable to the conduct of its business and operations and the ownership of its Property, including without limitation environmental laws, orders or regulations; provided, however, that nothing contained in the Loan Agreement shall require the Institute to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested by the Institute in good faith by appropriate proceedings, provided that the Institute shall have set aside on its books adequate reserves with respect to such contest and such contest shall not materially impair the ability of the Institute to meet its obligations under the Loan Agreement.

Payment of Taxes and Other Charges

The Institute shall pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Institute or its Property or any part thereof or upon any income therefrom; provided, however, that the Institute shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and the Institute shall have established and shall maintain adequate reserves on its books for the payment of the same.

Liens and Emcumbrances

The Institute shall not create or incur or permit to be created or incurred or to exist any mortgage, lien, security interest, charge or encumbrance upon its Unrestricted Receivables or other Property except Permitted Encumbrances, and shall promptly discharge or terminate all mortgages, liens, security interests, charges and encumbrances on its Property that are not Permitted Encumbrances. The Institute shall comply with all terms, covenants and provisions contained in any lien or security interest existing upon its Property or any part thereof or securing any of its Indebtedness unless the validity, amount or collectability thereof is being contested in good faith or the failure to comply or contest would not materially impair its ability to pay its Indebtedness when due nor subject a material amount of the Property of the Institute to loss or forfeiture.

Licenses and Permits

The Institute shall procure and maintain all licenses, permits and accreditations necessary or desirable in the operation of its business, programs and facilities which the governing board of the Institute determines are appropriate; provided, however, that the Institute shall not be required to procure or maintain in effect any permit, license or accreditation that the governing board of the Institute determines in good faith is not in the best interests of the Institute and is no longer necessary or desirable in the conduct of its business and the lack of which will not materially impair the ability of the Institute to perform its obligations under the Loan Agreement.

Insurance

The Institute shall maintain insurance coverage, through reputable insurance carriers or self-insurance or alternative risk management programs, with respect to its Property and operations, covering such risks that are of an insurable nature and of the character customarily insured against by organizations operating similar properties and engaged in similar operations (including but not limited to property and casualty, general liability, professional liability, business interruption, worker's compensation, and employee dishonesty) and in such amounts as, in its judgment, are adequate to protect the Institute and its Property and operations.

In lieu of maintaining the insurance coverage stated above, the Institute shall have the right to adopt alternative risk management programs which the governing board of the Institute determines to be reasonable and in the best interests of the Institute, including, without limitation, to self-insure in whole or in part, individually or in connection with other Institutes or organizations, to participate in programs of captive insurance companies and to create and operate such captive insurance companies, to participate with other Institutes in mutual or other cooperative insurance or other risk management programs, or to establish or participate in other alternative risk management programs.

Damage, Destruction and Condemnation

In the event of damage to or destruction of any Property of the Institute resulting from fire or other casualty, or in the event any Property of the Institute is condemned or taken for any public or quasi-public use or title thereto is found to be deficient, the Net Proceeds of any insurance relating to such damage or destruction, the Net Proceeds of such condemnation or taking or the Net Proceeds of any realization on title insurance, if such Net Proceeds do not exceed **5%** of the unrestricted revenues of the Institute as shown on the most recently available audited financial statements, shall be paid directly to the Institute, and the Institute agrees that, to the extent permitted by law, it will forthwith replace, repair, reconstruct or restore such Property to substantially the same or an improved condition or utility value as existed prior to the event affecting such Property and will to the extent necessary apply such Net Proceeds received by the Institute to the payment or reimbursement of the costs of such replacement, repair, reconstruction or restoration. Any remaining balance not required for said purpose shall be paid to the Bond Trustee for deposit in the Debt Service Fund to be used to pay the next successive principal payments on the Bonds as they become due or to redeem Bonds on the earliest permissible date.

In the event such Net Proceeds exceed **5%** of the unrestricted revenues of the Institute as shown on the most recently available audited financial statements, the Institute agrees to promptly notify the Authority and the Bond Trustee of such event. The Institute agrees that if the Net Proceeds of any insurance relating to such damage exceeds **5%** of the unrestricted revenues of the Institute as shown on the most recently available audited financial statements, such Net Proceeds shall be paid directly to the Bond Trustee and the Institute shall, within **180** days after such Net Proceeds are deposited with the Bond Trustee, elect in a certificate of an Institute Representative delivered to the Bond Trustee one of the following two options:

(a) *Option A-Replacement, Repair, Reconstruction or Restoration.* The Institute may elect to use all or part of such Net Proceeds to replace, repair, reconstruct or restore the affected Property. In such event the Institute shall proceed forthwith to replace, repair, reconstruct or restore the affected Property to substantially the same condition or utility value as existed prior to the event affecting such Property and will apply the Net Proceeds received by the Institute from the Bond Trustee to the payment or reimbursement of the costs of such replacement, repair, reconstruction or restoration. So long as the Institute is not in default under the Loan Agreement, any such Net Proceeds received by the Bond Trustee shall be deposited in a separate account to be established in the Project Fund and so long as the Institute is not in default under the Loan Agreement, the Institute shall have the right to receive such Net Proceeds from the Bond Trustee from time to time upon the receipt by the Bond Trustee of written requests of the Institute Representative specifying the expenditures made or to be made or the indebtedness incurred in connection with such repair, reconstruction or restoration and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such replacement, repair, reconstruction or restoration.

(b) *Option B-Prepayment of Bonds.* The Institute may elect to have all or part of such Net Proceeds applied to the prepayment of the Bonds; provided that the Institute includes in a certificate of an Institute Representative delivered to the Bond Trustee a statement that the property damaged or destroyed or the property condemned or the property interest lost because of a title defect, as the case may be, was not essential to the use of the Institute's Property as a complete and operational facility. In such event the certificate of an Institute Representative delivered to the Bond Trustee shall direct the Bond Trustee to deposit such Net Proceeds or a specified portion thereof, when and as received, in the Debt Service Fund to be used to pay the next successive principal payments on the Bonds as they become due or to redeem Bonds on the earliest permissible date. If only part of such Net Proceeds is applied to the prepayment of the Bonds, then the remaining part of such Net Proceeds shall be applied as provided under Option A above.

Sale, Lease or Other Disposition of Property

The Institute shall not in any Fiscal Year, sell, lease or otherwise transfer or dispose of its Property in an amount which aggregates in excess of **10%** of the total value of the Property of the Institute (calculated on the basis of the Book Value or, if the Institute so elects, on the basis of Current Value as stated in the most recent audited financial statements of the Institute), except for transfers of Property as follows:

(a) The Institute may transfer Property to any Person in the ordinary course of business.

(b) The Institute may transfer Property to any Person for fair and adequate cash or other consideration on terms no less favorable to the Institute than would be obtained in a comparable arm's-length transaction.

(c) The Institute may transfer Property to any Person, if in the reasonable judgment of the Institute, such Property has, or within the next succeeding **24** calendar months is reasonably expected to, become inadequate, obsolete or worn out, or otherwise unsuitable, unprofitable, undesirable or unnecessary for the operation of the Institute's primary business.

(d) The Institute may transfer Property to any Person, if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on Long-Term Indebtedness of the Institute.

(e) The Institute may transfer Property to any Person if the Property to be transferred is not essential to the Institute's primary business operation, and the proceeds of such transfer are used to acquire additional facilities, to repay the principal of Long-Term Indebtedness of the Institute, or otherwise used in a productive manner to the benefit of the Institute's operations.

(f) The Institute may transfer Property as part of a consolidation, merger, conveyance or transfer permitted by the Loan Agreement.

(g) The Institute may transfer Property as a loan to any Person provided that such loan is consistent with the status of the Institute as a Tax-Exempt Organization, is evidenced in writing, and the Bond Trustee receives a certificate of an Institute Representative stating that there is a reasonable expectation that such loan will be repaid in accordance with its terms.

(h) The Institute may transfer Property in excess of the 10% limit calculated as set forth in this Section to any Person provided that the Bond Trustee receives a certificate of an Institute Representative (accompanied by the audited financial statements of the Institute for the most recent Fiscal Year and supporting calculations based upon such statements) to the effect that (A) if such disposition had taken place on the first day of the immediately preceding Fiscal Year, (1) the Historical Debt Service Coverage Ratio of the Institute for such Fiscal Year would not have been reduced by more than **10%**, and (2) the Unrestricted Net Assets of the Institute as of the last day of such Fiscal Year would not have been reduced by more than **10%**, and (B) the test for the issuance of one dollar of additional Long-Term Indebtedness pursuant to the Loan Agreement and would be satisfied if such disposition had occurred on the first day of each Fiscal Year referred to therein.

The provisions of the Loan Agreement need not be met if the transfer is otherwise permitted by the Loan Agreement.

Consolidation, Merger, Conveyance or Transfer of Property

The Institute shall not consolidate with or merge into any other Person or convey or transfer its Property substantially as an entirety to any Person, unless all of the following conditions are met:

(a) such merger, consolidation, conveyance or transfer is on such terms as shall fully preserve the lien and security of the Bond Indenture and the Loan Agreement and the rights and powers of the Bond Trustee and the Owners of the Bonds under the Bond Indenture and the Loan Agreement;

(b) the Person formed by such consolidation or into which the Institute is merged or the Person which acquires by conveyance or transfer the Institute's Property substantially as an entirety is a corporation or other legal entity organized and existing under the laws of the United States of America or any state thereof, is a "health institution" or an "educational institution" within the meaning of the Act authorized to conduct business in the State of Missouri, is a Tax-Exempt Organization, and shall execute and deliver to the Bond Trustee a written instrument, containing an assumption by such successor of the due and punctual payment of the principal of (and premium, if any) and interest on the Loan and the performance and observance of every covenant and condition of the Loan Agreement to be performed or observed by the Institute;

(c) the Bond Trustee receives a certificate of an Institute Representative stating that, immediately after giving effect to such transaction, (1) no event of default under the Bond Indenture shall have occurred and be continuing, (2) the successor or transferee shall possess such permits, licenses and accreditations to operate such Property as may be required if it is to operate such Property and (3) the Institute could meet the conditions described in the Loan Agreement for the incurrence of one dollar of additional Long-Term Indebtedness;

(d) the Bond Trustee and the Authority receive an Opinion of Counsel to the effect that (1) such consolidation, merger, conveyance or transfer complies with the Loan Agreement and all conditions precedent in the Loan Agreement provided for relating to such transaction have been complied with, (2) such transaction will not adversely affect the status of the successor or transferee as a Tax-Exempt Organization, and (3) the successor or transferee is liable on the Loan, as if such Loan were originally made to such Person; and

(e) the Bond Trustee and the Authority receive an Opinion of Bond Counsel to the effect that under then existing law the consummation of such consolidation, merger, conveyance, or transfer would not adversely affect the exclusion of the interest payable on the Bonds from gross income under the Internal Revenue Code.

Upon any consolidation or merger or any conveyance or transfer of the Institute's Property substantially as an entirety in accordance with the Loan Agreement, the successor corporation or other entity formed by such consolidation or into which the Institute is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Institute under the Loan Agreement with the same effect as if such successor corporation or other entity had been named as the Institute in the Loan Agreement.

Rate Covenant

The Institute shall set and maintain rates, tuition, fees and charges for its facilities and services such that the Historical Debt Service Coverage Ratio, as calculated at the end of the Fiscal Year, equals at least **1.00**.

If the Institute fails to maintain a Historical Debt Service Coverage Ratio of at least **1.00** for any Fiscal Year, the Institute shall within **90** days after receipt of the audited financial statements for such Fiscal Year immediately obtain a Consultant's Report with respect to any recommended changes to the rates, tuition, fees, charges, and operations of the Institute. Within **30** days after receipt of the Consultant's Report, the Institute shall file with the Bond Trustee a summary of the Consultant's Report and recommendations and a summary of what action, if any, the Institute intends to take. So long as the Institute obtains a Consultant's Report and follows the recommendations of such Consultant's Report to the extent feasible (as determined in the judgment of the Board of Trustees of the Institute), the failure to meet the required Historical Debt Service Coverage ratio for such Fiscal Year shall not constitute an Event of Default if the Institute's cash and cash equivalents (including cash held in the Debt Service Fund) and investments, as shown on the audited financial statements for such Fiscal Year, are at least **150%** of the total Long-Term Indebtedness outstanding at the end of such Fiscal Year.

Financial Statements and Other Information

The Institute shall keep proper books of record and account, in which full and correct entries shall be made of all dealings or transactions of or in relation to the properties, business and affairs of the Institute in accordance with generally accepted accounting principles. The Institute shall furnish to the Bond Trustee and the Original Purchaser each of the following:

(a) *Annual Financial Statements.* As soon as practicable after they are available but in no event more than **60** days after approved by the Institute's Board of Trustees, beginning with the Fiscal Year ended June 30, 2018, the audit report and audited financial statements of the Institute for such Fiscal Year certified by the Institute's independent certified public accountants, covering the operations of the Institute for such Fiscal Year and containing a statement of net assets as of the end of such Fiscal Year, a statement of activities and changes in net assets, and a statement of cash flows for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year.

(b) *Officer's Compliance Certificate.* Within **60** days after the approval of the financial statements referenced in part (a) of this Section by the Institute's Board of Trustees, a certificate of an Institute Representative stating that (1) a review of the activities of the Institute during such Fiscal Year and of performance under the Loan Agreement has been made under the supervision of the appropriate officers of the Institute, and (2) based on such review, the Institute, to the best of its knowledge, has fulfilled all its obligations under the Loan Agreement throughout such Fiscal Year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him or her and the nature and status thereof.

Environmental Matters

The Institute shall comply in all material respects with all Environmental Laws which are applicable to the Property of the Institute. The Institute shall promptly and diligently take or cause to be taken all actions necessary to cure any noncompliance with any Environmental Law and shall be solely responsible for any violation by it, its employees or agents of any Environmental Laws, and the Institute further agrees that it will take all necessary action to clean-up, eliminate or contain any environmental contamination including contamination caused by any previous Owner or use of the Facilities and will pay in full all costs and expenses associated with such action.

Tax Covenants

The Institute covenants and agrees that it will not take any action or permit any action to be taken that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2018 Bonds and will take whatever action, or refrain from whatever action, necessary to comply with the requirements of the Internal Revenue Code to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2018 Bonds, and the Institute shall comply with the Tax Compliance Agreement and will pay or provide for payment to the United States Government or the Bond Trustee, all rebate payments required under Section 148(f) of the Internal Revenue Code and the Tax Compliance Agreement, to the extent such amounts are not available to the Bond Trustee in the Rebate Fund held under the Bond Indenture.

Continuing Disclosure

The Institute covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The Institute acknowledges that the Institute is the only "obligated person" with responsibility for continuing disclosure under the Continuing Disclosure Certificate, and the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Section, and has no liability to any person, including any Beneficial Owner of the Bonds, with respect to SEC

Rule 15c2-12. Notwithstanding any other provision of the Loan Agreement, failure of the Institute to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Loan Agreement; however, the Bond Trustee may (and, at the request of any Participating Underwriter or the Owners of at least **25%** aggregate principal amount in Outstanding Bonds, shall) or any Bondowner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institute to comply with its obligations under this Section. For purposes of this Section, *"Beneficial Owner"* means any person which (a) 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 (b) is treated as the Owner of any Bonds for federal income tax purposes and *"Participating Underwriter"* shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

Assignment by the Institute

The Institute shall not assign the Loan Agreement, as a whole or in part, without the prior written consent of the Authority and the Bond Trustee unless such assignment is pursuant to a merger, consolidation or transfer of the Institute's Property substantially as an entirety permitted under the Loan Agreement, or unless all of the following conditions are met:

(a) No assignment shall relieve the Institute from primary liability for any of its obligations under the Loan Agreement, and in the event of any such assignment, the Institute shall continue to remain primarily liable for payment of the amounts specified in the Loan Agreement and the performance and observance of the other agreements to be performed and observed by the Institute under the Loan Agreement to the same extent as though no assignment had been made.

(b) The assignee shall assume the obligations of the Institute under the Loan Agreement to the extent of the interest assigned.

(c) The Bond Trustee and the Authority shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Bond Trustee and the Authority, to the effect that under then existing law the consummation of such assignment would not adversely affect the exclusion of the interest payable on the Bonds from gross income under the Internal Revenue Code.

(d) The Institute shall give prior written notice of such assignment to the Authority and the Bond Trustee, and, within **30** days after the delivery thereof, shall furnish or cause to be furnished to the Authority and the Bond Trustee a true and complete copy of each assignment and assumption of obligations and an Opinion of Counsel that such assignment is permitted by and in compliance with the provisions of the Loan Agreement.

Parity Bonds and Parity Notes

The Authority from time to time in its sole discretion, at the written request of the Institute, may authorize the issuance of Parity Bonds for the purposes and upon the terms and conditions provided in the Bond Indenture; provided that (a) the terms of such Parity Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by resolutions adopted by the Authority and the Institute, (b) the Authority and the Institute shall have entered into a Supplemental Loan Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Parity Bonds and to extend the term of the Loan Agreement if the maturity of any of the Parity Bonds would otherwise occur after the expiration of the term of the Loan Agreement, and (c) the Authority and the Institute shall have otherwise complied with the provisions of the Loan Agreement and the Bond Indenture with respect to the issuance of such Parity Bonds.

Simultaneously with the issuance of any Parity Bonds under the Bond Indenture, the Institute will issue and deliver to the Authority a Supplemental Loan Agreement, in order to evidence the loan from the Authority to the Institute of the proceeds of any such Parity Bonds. The principal amount of any Parity Notes shall be equal to the principal amount of the corresponding Series of Parity Bonds being issued concurrently with such Parity Notes. Upon the issuance of any Parity Bonds and sale thereof, the same shall together with any other Parity Bonds then outstanding, be equally and ratably secured under the Loan Agreement by the security interest in Unrestricted Receivables granted under the Loan Agreement.

Parity Obligations

The Institute may issue or incur Parity Obligations for any proper corporate purpose if prior to the issuance and delivery of any Parity Obligations, and as a condition precedent thereto, the following documents and showings shall be executed and delivered to the Bond Trustee:

(a) A loan agreement or other debt instrument, executed by the Institute and the lender, specifying, among other things, the principal amount, rate of interest, maturity, terms of optional prepayment, if any, and form of any Parity Obligations.

(b) A certificate of an Institute Representative (1) stating that no event of default under the Loan Agreement has occurred and is continuing and that no event has occurred and is continuing which with the lapse of time or giving of notice, or both, would constitute such an event of default, and (2) stating the purpose or purposes for which such Parity Obligations are being issued and the classification of the Indebtedness under the Loan Agreement and accompanied by the certificates, reports or opinions demonstrating compliance with the applicable tests set forth in the Loan Agreement.

(c) Such other certificates, title insurance policies, endorsements or reports, financing statements, financial statements and opinions as the Bond Trustee may reasonably request.

Such Parity Obligations shall have a security interest in all of the Institute's Unrestricted Receivables under the Loan Agreement standing on a parity with the security interest granted to the Authority by the Loan Agreement provided that any security interest in any or all of the Unrestricted Receivables granted to secure such Parity Obligations provides that all amounts realized from such security interest shall be paid to the Bond Trustee for disposition in accordance with the Bond Indenture. The Owners of such Parity Obligations shall not have a security interest in or other rights to in or be entitled to share on a parity with the Owners of the Bonds in any debt service reserve fund established for any Series of Bonds. Such Parity Obligations may be further secured in any manner not inconsistent with the provisions and intent of the Bond Indenture or the Loan Agreement.

In the event that the Institute shall propose to secure any such Parity Obligation by a pledge, lien, mortgage or other security interest as described above, the Authority, the Bond Trustee and the Institute shall take, or shall cause to be taken, such actions (including entering into a Supplemental Loan Agreement or Supplemental Bond Indenture) and execute, deliver, file and record such instruments of security as their respective counsel agree to be necessary or appropriate to grant to and/or otherwise secure for the Owner or Owners of the Parity Obligation a pledge of and a security interest in the Unrestricted Receivables, equivalent to that of the Bond Trustee, and the Institute shall as a condition of securing such Parity Obligation execute, deliver, file and record, and cause to be executed, delivered, filed and recorded by such Owner or Owners, such documents as counsel for the Bond Trustee and the Institute agree to be necessary or appropriate to grant to and/or otherwise secure for the Bond Trustee a pledge of and a security interest in any security granted to the Owner or Owners of the Parity Obligation and not theretofore granted to the Bond Trustee equivalent to the interest granted to such Owner or Owners of such Parity Obligation, to the end that all such outstanding secured Parity Obligations shall be of equal rank and be entitled to share pari passu in such security.

Any default under any instrument or agreement providing for repayment of any Parity Obligation secured on a parity with the Bonds shall be a default under the Loan Agreement and there shall be included in any instrument or agreement providing for repayment of such Parity Obligation a provision that any default under the Loan Agreement shall be a default under such instrument or agreement. Any action which cures a default under any such instrument or agreement shall also cure such default under the Loan Agreement. Unless otherwise agreed to by the Bond Trustee, the Bond Trustee shall act as trustee under any instrument securing any such Parity Obligation. Any instrument or agreement providing for repayment of such Parity Obligation shall include a provision that, prior to exercising any remedies upon a default by the Institute under such instrument or agreement, the Bond Trustee (or the Owners thereof, if the Bond Trustee otherwise consents) shall consider the interests of the Owners of the Parity Obligations and the Bonds and shall proceed such that the interests of such Owner or Owners of the Parity Obligations and the Bondowners shall be equally protected.

Permitted Indebtedness

The Institute shall not incur any Indebtedness (whether or not incurred or evidenced through the issuance of Notes under the Loan Agreement) other than Existing Indebtedness and the following Indebtedness, so long as there is no existing Event of Default:

(a) *Long-Term Indebtedness.* The Institute may incur Long-Term Indebtedness if prior to incurrence thereof or, if such Long-Term Indebtedness was incurred in accordance with another subsection of this Section and the Institute wishes to have such Indebtedness reclassified as having been issued under this subsection (a), prior to such incurrence or reclassification, there is delivered to the Bond Trustee the following:

(1) *Historical Pro Forma Debt Service Coverage Ratio Test:* A certificate of an Institute Representative demonstrating that after giving effect to the incurrence of such Indebtedness, the Historical Pro Forma Debt Service Coverage Ratio equaled or exceeded **1.15**, for each of the two most recent Fiscal Years for which audited financial statements are available; or

(2) *Historical and Projected Debt Service Coverage Test:* A certificate of an Institute Representative demonstrating that the Historical Debt Service Coverage Ratio for each of the two most recent Fiscal Year, for which audited financial statements are available equaled or exceeded **1.00**; and the Projected Debt Service Coverage Ratio for each of the first two Fiscal Years following the incurrence of such Long-Term Indebtedness or, if such Indebtedness is being incurred in connection with the financing of facilities, the two Fiscal Years succeeding the projected completion date of such facilities, is projected to equal or exceed **1.10**; or

(3) *Long-Term Debt to Revenues Test* A certificate of an Institute Representative stating the Maximum Annual Debt Service requirement with respect to all outstanding Long-Term Indebtedness immediately after the incurrence of the proposed Long-Term Indebtedness does not exceed an amount equal to **12%** of the Revenues of the Institute for the most recent Fiscal Year for which audited financial statements are available.

(b) *Guaranties.* The Institute may execute a Guaranty, if the conditions for the incurrence of Indebtedness set forth in this Section are satisfied where it is assumed that the obligation guaranteed by the Institute is Indebtedness of the Institute, and any calculation required by the applicable subsection of this Section is made in accordance with the requirements and assumptions contained in the Loan Agreement.

(c) *Non-Recourse Indebtedness.* The Institute may incur Non-Recourse Indebtedness if the principal amount of all Non-Recourse Indebtedness of the Institute incurred under this subsection Outstanding immediately after the incurrence of such Indebtedness does not exceed **15%** of the Book Value, or at the option of the Institute the Current Value, of all Property, Plant and Equipment of the Institute as shown on the audited financial statements of the Institute for the most recent Fiscal Year for which audited financial statements are available.

(d) *Purchase Money Indebtedness.* The Institute may incur Purchase Money Indebtedness to finance acquisition of machinery or equipment without limitation.

(e) *Refunding Indebtedness.* The Institute may incur Refunding Indebtedness for the purpose of refunding (whether in advance of maturity or otherwise) any Outstanding Indebtedness without limitation.

(f) *Reimbursement Indebtedness.* The Institute may incur Reimbursement Indebtedness without limit, if the Indebtedness supported by such Reimbursement Indebtedness was incurred in accordance with one of the provisions of this Section.

(g) *Short-Term Indebtedness.* The Institute may incur Short-Term Indebtedness if, immediately after the incurrence of such Short-Term Indebtedness, the total amount of all Short-Term Indebtedness Outstanding under this subsection (i) does not exceed **20%** of unrestricted Revenues for the most recent Fiscal Year for which audited financial statements are available, and the principal amount Outstanding on the Short-Term Indebtedness is zero for not less than seven consecutive calendar days in each Fiscal Year.

(h) *Subordinated Indebtedness.* The Institute may incur Subordinated Indebtedness without limit as to principal amount, provided such Indebtedness is evidenced by an instrument containing provisions for the subordination of such Indebtedness (to which appropriate reference shall be made in the instrument evidencing such Indebtedness) to the Bonds, the Notes and any Parity Obligations with respect to payment out of the Trust Estate, so that if at any time the Institute shall be in default in paying either interest on or principal of the Bonds, the Notes and Parity Obligations or if the Institute shall be in default in making any payments required to be made under the provisions of the Loan Agreement, the Institute shall make no payments of either principal of or interest on said Subordinated Indebtedness until said default or defaults be cured.

Calculation of Debt Service Requirements

For purposes of the various calculations under the Loan Agreement, the principal amount, the amortization schedule, and the Debt Service Requirements with respect to Long-Term Indebtedness of the Institute shall be calculated in accordance with the actual stated terms of such Indebtedness, except as follows:

(a) *Balloon Indebtedn*ess. At the election of the Institute, the Debt Service Requirements on Balloon Indebtedness may be deemed to be payable as follows:

(1) Balloon Indebtedness may be deemed payable on a level annual debt service basis over a term of **25** years from the date of issuance or incurrence of such Indebtedness, bearing interest on the unpaid principal balance at an assumed rate of interest equal to the *Revenue Bond Index* most recently published in *The Bond Buyer*.

(2) Balloon Indebtedness may be deemed to be payable in accordance with the terms of an amortization schedule during the term to the maturity date thereof established by the Institute and set forth in a certificate of an Institute Representative delivered to the Bond Trustee, which provides that the Institute will make deposits of the amounts set forth in such certificate of an Institute Representative to a sinking fund for such Balloon Indebtedness in each Fiscal Year that are sufficient to make any actual payments required to be made in any Fiscal Year in which **25%** or more of the original principal becomes due or subject to tender for purchase or redemption by the terms of such Indebtedness.

(3) Balloon Indebtedness may be deemed to be payable in accordance with the repayment obligations on Reimbursement Indebtedness with respect to a Qualified Credit Facility established to refinance or pay the principal amount of any such Balloon Indebtedness becoming due or that is subject to tender for purchase or redemption in each Fiscal Year in which **25%** or more of the original principal amount of such Balloon Indebtedness becomes due or is subject to tender for purchase or redemption.

(b) *Capital Appreciation Indebtedness.* The principal amount of Indebtedness that constitutes *"capital appreciation indebtedness"* (defined below) shall be deemed to be the *"accreted value"* (defined below) thereof as of the relevant date. *"Capital appreciation indebtedness"* means any Long-Term Indebtedness for which interest is payable only at the maturity of such Indebtedness, upon the prepayment or redemption of such Indebtedness before maturity, or upon the conversion of such Indebtedness to Indebtedness with interest payable periodically in installments prior to maturity or prior to prepayment or redemption before maturity. *"Accreted value"* means with respect to any capital appreciation indebtedness (1) as of any *"valuation date"* (defined below), the amount set forth in the Supplemental Loan Agreement authorizing such Indebtedness or in a Supplemental Bond Indenture as the value of such Indebtedness on such valuation date, and (2) as of any date other than a valuation date the sum of (A) the accreted value on the next preceding valuation date, and (B) the product of (i) a fraction, the numerator of which is the number of days having elapsed from the preceding valuation date and the denominator of which is the number of days from such preceding valuation date to the next succeeding valuation date, and (ii) the difference between the accreted values for such valuation dates. *"Valuation date"* means with respect to any capital appreciation indebtedness the date or dates set forth in the Supplemental Loan Agreement relating to such Indebtedness or the Supplemental Bond Indenture on which specific accreted values are assigned to the capital appreciation indebtedness.

(c) *Capital Leases.* The principal amount of Indebtedness in the form of a *"capital lease"* (defined below) shall be deemed to be the amount, as of the date of determination, at which the aggregate *"net rentals"* (defined below) due and to become due under such capital lease would be reflected as a liability on the balance sheet of the lessee, and the Debt Service Requirements on a capital lease for the period of time for which calculated shall be deemed to be the aggregate amount of net rentals to be payable under such Capitalized Lease during such period. *"Capital lease"* means any lease of real or personal property that is capitalized on the balance sheet of the lessee under generally accepted accounting principles. *"Net rentals"* means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under such lease excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

(d) *Guaranties.* When calculating the principal and the Debt Service Requirements attributable to a Guaranty that is deemed to be Indebtedness of the Institute:

(1) The principal amount of such Indebtedness shall be deemed to equal the principal amount of the obligation guaranteed by the Institute.

(2) The Debt Service Requirements on such Indebtedness shall be deemed to be:

(A) **0%** of the debt service requirements (calculated in the same manner as Debt Service Requirements of the Institute) on the guaranteed obligation, if the Institute has not been called upon to make a payment under the Guaranty within the **12** months immediately preceding the date of the calculation, and if the primary obligor's income available for debt service (calculated in the same manner as Net Revenue Available for Debt Service) for the period of calculation was or is projected or forecasted to be at least equal to **200%** of the maximum annual debt service requirements of the primary obligor (calculated in the same manner as Maximum Annual Debt Service);

(B) **20%** of the debt service requirements (calculated in the same manner as Debt Service Requirements of the Institute) on the guaranteed obligation, if the Institute has not been called upon to make a payment under the Guaranty within the **12** months immediately preceding the date of the calculation, and the primary obligor's income available for debt service (calculated in the same manner as Net Revenue Available for Debt Service) for the period of calculation was or is projected or forecasted to be at least equal to **100%** (but less than **200%**) of the maximum annual debt service requirements of the primary obligor (calculated in the same manner as Maximum Annual Debt Service); or

(C) **100%** of the debt service requirements (calculated in the same manner as Debt Service Requirements) on the guaranteed obligation, if the Institute has made any payment in respect of the debt service requirements on the guaranteed obligation within the **12** months immediately preceding the date of the calculation, or the income available for debt service (calculated in the same manner as Net Revenue Available for Debt Service) of the primary obligor for the period of calculation was or is projected or forecasted to be less than **100%** of the maximum annual debt service requirements of the primary obligor (calculated in the same manner as Maximum Annual Debt Service).

(e) *Long-Term Indebtedness Supported By Qualified Credit Facility.* The Debt Service Requirements on Long-Term Indebtedness with respect to which the Institute has incurred Qualified Credit Facility that would refinance such Indebtedness for a period extending beyond its original maturity date, may at the discretion of the Institute be deemed to be payable in accordance with the terms of such Qualified Credit Facility.

(f) *Qualified Credit Facilities.* No Reimbursement Indebtedness shall be deemed payable with respect to Bonds supported by a Qualified Credit Facility until such time as amounts are paid under such Qualified Credit Facility and the obligation to make payments under the Qualified Credit Facility actually arises (and only to the extent of advances actually made under such Qualified Credit Facility). From and after such funding, the amount of such Debt Service shall be calculated in accordance with the actual amount of Reimbursement Indebtedness required to be repaid on such Qualified Credit Facility and the actual interest rate and amortization schedule applicable thereto. No Debt Service shall be deemed to arise when any funding occurs under any such commitment if such funding is immediately repaid and such commitment is reinstated in accordance with its terms, or when any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as existed prior to such renewal.

(g) *Qualified Swap Facilities.* If the Institute has entered into a Qualified Swap Facility with respect to a Series of Bonds (or portion thereof), such Bonds shall be deemed to bear interest for the period of time the Qualified Swap Facility is in effect at a net interest rate which takes into account the interest payments made or to be made by the Institute with respect to such Bonds and the net payments expected to be paid or received by the Institute under such Qualified Swap Facility; if such net amount is less than zero, such net amount may be credited against other interest coming due in calculating Debt Service so long as the credit rating of the swap counterparty (or any guarantor thereof) is in one of the two highest rating categories of a nationally recognized rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise).

(h) *Variable Rate Indebtedness.* In determining the Debt Service Requirements on any Indebtedness which provides for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Indebtedness and which for any future period of time is not susceptible of precise determination, the interest rate on such Indebtedness for any period prior to the date of calculation or for which the interest rate has been determined shall be the actual interest payable during such period, and for each year in which such Indebtedness is Outstanding and for which the actual interest rate cannot be determined, the interest rate on such Indebtedness for the period of determination shall be deemed to be rate of interest based on the last **12-**month average of the *"SIFMA Index"* most recently published in The Bond Buyer or a similar index if the SIFMA Index is no longer published.

Events of Default

The term *"event of default"*, wherever used in the Loan Agreement, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on any Note when such interest becomes due and payable;

(b) default in the payment of the principal of (or premium, if any, on) any Note oan when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise);

(c) default in the performance, or breach, of any covenant or agreement of the Institute in the Loan Agreement (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of **60** days after there has been given to the Institute by the Bond Trustee or to the Institute and the Bond Trustee by the Owners of at least **25%** in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60-**day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Institute shall promptly upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; provided, that such period shall not exceed **180** days;

(d) any representation or warranty made by the Institute in the Loan Agreement or in any written statement or certificate furnished to the Authority or the Bond Trustee or the purchaser of any Bond in connection with the sale of any Bond or furnished by the Institute pursuant to the Loan Agreement proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within **60** days after there has been given to the Institute by the Bond Trustee or to the Institute and the Bond Trustee by the Owners of at least **25%** in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60-**day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Institute shall promptly upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; provided, that such period shall not exceed **180** days;

(e) default in the payment of the principal of, premium, if any, or interest on any Indebtedness other than the Loan (including any Parity Obligations) when the same becomes due and payable, and any applicable grace period shall have expired, or an event of default as defined in any mortgage, indenture or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness; provided, however, that such default shall not constitute an event of default if payment of such Indebtedness has not been accelerated under the terms of payment of such Indebtedness or if within **60** days, or within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness, the Institute in good faith commences proceedings to contest the obligation to pay or the existence or payment of such Indebtedness; and provided, further however, a default in payment thereunder shall not constitute an event of default unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds **5%** of the Unrestricted Net Assets of the Institute as shown on or derived from the most recent audited financial statements of the Institute;

(f) any judgment which is final, writ or warrant of attachment or of any similar process shall be entered or filed against the Institute or against any Property of the Institute and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of **60** days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds **10%** of the Unrestricted Net Assets of the Institute as shown on or derived from the most recent audited financial statements of the Institute;

(g) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of the Institute, or adjudging the Institute a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of the Institute under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for the Institute or any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order remains unstayed and in effect for a period of **90** consecutive days;

(h) the commencement by the Institute of a voluntary case, or the Institute by the Institute of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the Institute of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement or relief under the United States Bankruptcy Code or any other applicable federal or state law, or the consent or acquiescence by it to the filing of any such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Institute or any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability or its failure to pay its debts generally as they become due, or the taking of corporate action by the Institute in furtherance of any such action; or

(i) the occurrence and continuance of any "Event of Default" specified in the Bond Indenture that has not been waived or cured.

Promptly after the Institute may reasonably be deemed to have knowledge of a default under the Loan Agreement, the Institute will deliver to the Bond Trustee a written notice specifying the nature and period of existence thereof and the action the Institute is taking and proposes to take with respect thereto.

Acceleration of Maturity; Rescission and Annulment

If an event of default under the Loan Agreement occurs and is continuing, the Bond Trustee, as assignee of the Authority, may and if requested by the Owners of not less than **25%** in principal amount of the Bonds Outstanding, shall by written notice to the Institute and the Authority, declare the principal of the Loan and the interest accrued thereon to be due and payable, and upon any such declaration such principal and interest shall become immediately due and payable; anything in the Loan Agreement to the contrary notwithstanding.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on the Loan has been obtained by the Bond Trustee, the Bond Trustee may, by written notice to the Institute, rescind and annul such declaration and its consequences if:

(a) the Institute has deposited with the Bond Trustee a sum sufficient to pay (1) all overdue installments of interest on the Loan, (2) the principal of (and premium, if any, on) the Loan which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Bonds, and (3) all sums paid or advanced by the Bond Trustee and the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel; and

(b) all events of default, other than the non-payment of the principal installments of the Loan which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Loan Agreement.

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

Exercise of Remedies by the Bond Trustee

Upon the occurrence and continuance of any event of default under the Loan Agreement and the Bond Indenture, unless the same is waived as provided in the Loan Agreement, the Bond Trustee, as assignee of the Authority, upon an Event of Default, shall have the following rights and remedies, in addition to any other rights and remedies provided under the Loan Agreement or by law:

(a) *Right to Bring Suit, Etc.* The Bond Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Loan, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Loan Agreement, to realize on or to foreclose any of its interests or liens under the Loan Agreement, to enforce and compel the performance of the duties and obligations of the Institute as set forth in the Loan Agreement and to enforce or preserve any other rights or interests of the Bond Trustee under the Loan Agreement existing at law or in equity.

(b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the Owners of not less than **25%** in principal amount of Bonds Outstanding and if indemnified as provided in the Bond Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Bond Indenture as the Bond Trustee shall deem most expedient in the interests of the Bondowners.

(c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee under the Loan Agreement, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Property subject to the lien and security interest of the Loan Agreement, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) *Suits to Protect Pledged Property*. The Bond Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Property subject to the lien and security interest of the Loan Agreement by any acts which may be unlawful or in violation of the Loan Agreement and to protect its interests and the interests of the Bondowners in the Property subject to the lien and security interest of the Loan Agreement, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Loan Agreement or be prejudicial to the interests of the Bondowners or the Bond Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Bondowners in any judicial proceeding to which the Institute is a party and which in the judgment of the Bond Trustee has a substantial bearing on the interests of the Bondowners.

(e) *Restoration of Positions.* If the Bond Trustee has instituted any proceeding to enforce any right or remedy under the Loan Agreement by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bond Trustee, then and in every case the Authority, the Institute, the Bond Trustee, the Bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Loan Agreement, and thereafter all rights and remedies of the Bond Trustee shall continue as though no such proceeding had been instituted.

Application of Moneys Collected

Any moneys collected by the Bond Trustee pursuant to the Bond Indenture (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys) together with any other sums then held by the Bond Trustee as part of the Trust Estate, shall be applied as provided in the Bond Indenture and, in case of the distribution of such money on account of principal (or premium, if any) or interest on the Bonds, shall be credited against amounts due on the Loan.

Supplemental Loan Agreements without Consent of Bondowners

Without the consent of the Owners of any Bonds, the Authority and the Institute may from time to time enter into one or more Supplemental Loan Agreements, for any of the following purposes:

(a) to correct or amplify the description of any property of the Institute at any time subject to the Loan Agreement, or to subject to the Loan Agreement additional property or to more precisely identify any project financed or refinanced out of the proceeds of any Bonds, or to substitute or add additional property thereto;

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Loan Agreement, additional conditions, limitations and restrictions thereafter to be observed;

(c) to authorize the issuance of any Parity Bonds and make such other provisions as provided in the Loan Agreement or to acknowledge the incurrence or issuance of any Parity Obligations as provided in the Loan Agreement;

(d) to modify or eliminate any of the terms of the Loan Agreement; provided, however, that (1) such Supplemental Loan Agreement shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any Series created prior to the execution of such Supplemental Loan Agreement, and (2) the Bond Trustee may, in its discretion, decline to approve any such Supplemental Loan Agreement which, in its opinion, may not afford adequate protection to the Bond Trustee when the same becomes operative;

(e) to evidence the succession of another corporation to the Institute and the assumption by any such successor of the covenants of the Institute contained in the Loan Agreement;

(f) to add to the covenants of the Institute or to the rights, powers and remedies of the Bond Trustee for the benefit of the Owners of all Bonds or to surrender any right or power conferred upon the Institute in the Loan Agreement; or

(g) to cure any ambiguity, to correct or supplement any provision in the Loan Agreement which may be inconsistent with any other provision in the Loan Agreement or to make any other changes, with respect to matters or questions arising under the Loan Agreement, provided such action shall not materially adversely affect the interests of the Owners of the Bonds.

Supplemental Loan Agreements with Consent of Bondowners

With the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Loan Agreement, the Authority and the Institute may enter into Supplemental Loan Agreements, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Loan Agreement or of modifying in any manner the rights of the Bond Trustee and the Owners of the Bonds under the Loan Agreement; provided, however, that no such Supplemental Loan Agreement shall, without the written consent of the Owner of each Outstanding Bond affected thereby, carry out any of the following:

(a) change the stated maturity of the principal of, or any installment of interest on, the Loan, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any redemption date thereof, or the coin or currency in which, the Loan, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners is required for any such Supplemental Loan Agreement, or the consent of whose Owners is required for any waiver provided for in the Loan Agreement of compliance with certain provisions of the Loan Agreement or certain defaults under the Loan Agreement and their consequences; or

(c) modify any of the provisions of the Loan Agreement, except to increase any percentage provided thereby or to provide that certain other provisions of the Loan Agreement cannot be modified or waived without the consent of the Owner of each Bond affected thereby.

It shall not be necessary for the required percentage of Owners of Bonds under this Section to approve the particular form of any proposed Supplemental Loan Agreement, but it shall be sufficient if such act shall approve the substance thereof.

Term of Loan Agreement

The Loan Agreement shall be effective concurrently with the initial issuance and delivery of the Series 2018 Bonds and shall continue in force and effect until the principal of, redemption premium, if any, and interest on all of the Bonds and Parity Obligations have been fully paid (or provision for their payment shall have been made in accordance with the Bond Indenture) together with all sums to which the Authority and the Bond Trustee are entitled from the Institute under the Loan Agreement; provided, however, the provisions of the Loan Agreement related to indemnification of the Authority and the Bond Trustee shall remain in full force and effect.

Termination and Discharge of Loan Agreement

If the Institute shall pay and discharge or provide for the payment or redemption and discharge of the whole amount of the principal of, redemption premium, if any and interest on the Bonds at the time Outstanding as provided in the Bond Indenture and all Parity Obligations as provided therein, and shall pay or cause to be paid all other sums payable under the Loan Agreement, then all right, title and interest of the Authority and the Bond Trustee under the Loan Agreement shall thereupon cease, terminate and become void (except as provided in the Loan Agreement), then the Loan Agreement, and the covenants of the Institute contained in the Loan Agreement, shall be discharged and the Loan, the Bonds, and the Parity Obligations shall cease to be entitled to any benefit under the Loan Agreement, and all covenants, agreements and obligations of the Institute to the Bond Trustee and the Owners of the Bonds and the holders of the Parity Obligations shall thereupon cease, terminate and become void (except as provided in the Loan Agreement).

* * * * *

APPENDIX D

Form of Opinion of Bond Counsel

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GILMORE & BELL PC
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KANSAS CITY, MISSOURI 64108-2521

816-221-1000 | 816-221-1018 FAX
GILMOREBELL.COM

July 31, 2018

Missouri Health and Educational Facilities Authority
15450 South Outer Forty Road, Suite 230
Chesterfield, MO 63017

George K. Baum & Company
4801 Main Street, Suite 500
Kansas City, MO 64112

Commerce Bank, as Bond Trustee
1000 Walnut Street, BB16-5
Kansas City, MO 64106

Kansas City Art Institute
4415 Warwick Boulevard
Kansas City, MO 64111

Re: $22,085,000 Health and Educational Facilities Authority of the State of Missouri Educational Facilities Revenue Bonds (Kansas City Art Institute), Series 2018

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Health and Educational Facilities Authority of the State of Missouri (the "*Authority*"), of the above-captioned bonds (the "*Bonds*"). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion.

The Bonds are issued under the Missouri Health and Educational Facilities Authority Act, Chapter 360 of the Revised Statutes of Missouri, as amended (the "*Act*"), and a Bond Trust Indenture dated as of July 1, 2018 (the "*Bond Indenture*"), between the Authority and Commerce Bank, as bond trustee (the "*Bond Trustee*"). Capitalized terms used and not otherwise defined in this opinion have the meanings assigned in the Bond Indenture.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority and the Kansas City Art Institute (the "*Institute*") contained in the Loan Agreement and the Tax Compliance Agreement and certified proceedings and other certifications of the Authority, the Institute and others furnished to us, without undertaking to verify them by independent investigation.

We have also relied on the legal opinion of Bryan Cave Leighton Paisner LLP, counsel to the Institute, dated the date of this opinion, regarding certain matters, including (a) the corporate status and due organization of the Institute, (b) the status of the Institute as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*"), (c) the corporate power of the Institute to enter into and perform its obligations under the Loan Agreement and the Tax Compliance Agreement, and (d) the due authorization, execution and delivery of the Loan Agreement and the Tax

Compliance Agreement by the Institute and the binding effect and enforceability of those documents against the Institute.

Based on and subject to the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and legally binding special, limited obligations of the Authority.

2. The Bonds are payable solely from loan payments made by the Institute under the Loan Agreement and other funds held by the Trustee and pledged under the Bond Indenture as security for the Bonds. The Bonds do not constitute a debt or liability of the State of Missouri (the "State") or of any political subdivision of the State within the meaning of any constitutional or statutory provision or limitation and do not constitute a pledge of the full faith and credit of the State or of any political subdivision of the State. The issuance of the Bonds will not, directly, indirectly or contingently, obligate the State or any political subdivision of the State to levy any form of taxation or to make any appropriation for the payment of the Bonds.

3. The Bond Indenture, the Loan Agreement and the Tax Compliance Agreement have been duly authorized, executed and delivered by the Authority and are valid and legally binding agreements of the Authority enforceable against the Authority. The Bond Indenture creates a valid lien on the Trust Estate pledged and assigned by the Authority to the Trustee under the Bond Indenture for the benefit and security of the owners of the Bonds, on a parity with other bonds, if any, issued or to be issued as Parity Bonds under the Bond Indenture.

4. The interest on the Bonds (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Authority and the Institute comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the Institute have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and State income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

We express no opinion regarding (a) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), (b) the perfection or priority of the lien on the Trust Estate pledged under the Bond Indenture, or (c) federal or state tax consequences arising with respect to the Bonds, other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Bond Indenture, the Loan Agreement and the Tax Compliance Agreement may be limited by 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 its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,

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APPENDIX E

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is made and entered into as of July 1, 2018 by Kansas City Art Institute (the "Institute") in connection with the issuance by the Health and Educational Facilities Authority of the State of Missouri (the "Issuer") of $22,0185,000 aggregate principal amount of its Educational Facilities Revenue Bonds (Kansas City Art Institute) Series 2018 (the "2018 Bonds"). The 2018 Bonds are being issued pursuant to a Bond Trust Indenture dated as of July 1, 2018 (the "Bond Indenture") between the Issuer and Commerce Bank, as trustee (the "Bond Trustee").

NOW THEREFORE, intending to be legally bound hereby, the Institute hereby covenants and agrees as follows for the benefit of the Bondholders (as defined below):

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Institute for the benefit of the Bondholders. The Institute acknowledges that the Issuer and the Bond Trustee have undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Certificate, including their accuracy and completeness, and have no liability to any Person, including any Bondholder and the Underwriter, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in the first paragraph of this Disclosure Certificate or in this Section, the following capitalized terms shall have the meanings indicated below.

"Annual Report" means any Annual Report (as such term is defined in Section 3 hereof) provided by the Institute pursuant to Section 4(a) of this Disclosure Certificate.

"Bondholder" or "Holder" of a 2018 Bond means any registered owner of any of the 2018 Bonds or any Person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the 2018 Bonds (including Persons holding through any nominee, securities depository or other intermediary, including any beneficial owner, or (ii) is treated as the holder of any of the 2018 Bonds for federal income tax purposes.

"EMMA" means the Electronic Municipal Market Access system of the MSRB as provided at http://www.emma.msrb.org, or any similar system that is acceptable to or as may be prescribed by the MSRB for purposes of the Rule and approved by the SEC from time to time. A current list of such systems may be obtained from the SEC at http://www.sec.gov/info/municipal/nrmsir.htm.

"Fiscal Year" means the fiscal year of the Institute ending on June 30 of each calendar year.

"Listed Events" means any of the events listed in Section 4(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15(B)(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor organization.

"Official Statement" means the Official Statement dated July 11, 2018 used in connection with the sale of the 2018 Bonds.

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

"SEC" means the United States Securities and Exchange Commission.

"Underwriter" means George K. Baum & Company.

Section 3. Content of Annual Reports.

(a) Each Annual Report shall each contain:

(i) a copy of the annual financial statements with respect to the Institute, prepared in accordance with generally accepted accounting principles and audited by a certified public accountant; and

(ii) an update of the information of the type set forth in Appendix A to the Official Statement in the tables under the headings "Student Profile," "Tuition and Fees," "Advancement" and "Investments".

Section 4. Provision of Annual Reports, Annual Budget and Notices of Listed Events.

(a) By January 31st of each year commencing January 31, 2019, the Institute shall file, or shall provide to the Dissemination Agent (if any) and cause the Dissemination Agent to file, an Annual Report with the MSRB with respect to the Fiscal Year ended on the preceding June 30. In each case, the Annual Report may be submitted by the Institute as a single document or as separate documents comprising a package, and may cross-reference other information to the extent permitted by the Rule. Notwithstanding the foregoing, the audited financial statements of the Institute may be submitted separately from the balance of the Annual Report when such audited financial statements are accepted by the Board of Trustees of the Institute, which may be later than January 31st; provided that if the audited financial statements are not available by January 31st, then the Institute shall file unaudited financial statements by January 31st and shall file the audited financial statements as soon as available thereafter.

(b) In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the Institute shall file, or deliver to the Dissemination Agent for filing, with the MSRB notice of any of the following events with respect to the 2018 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, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the 2018 Bonds, or other material events affecting the tax status of the 2018 Bonds;

(vii) Modifications to rights of the Holders of the 2018 Bonds, if material;

(viii) Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property, if any, securing repayment of the 2018 Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Institute;

(xiii) The consummation of a merger, consolidation, or acquisition involving the Institute or the sale of all or substantially all of the assets of the Institute, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, the Institute or to the extent it has actual knowledge of such event, the Dissemination Agent (if any), shall give the MSRB notice of any failure by the Institute to provide any information required pursuant to subsection (a) or (b) above within the time limit specified therein.

Section 5. Report by Dissemination Agent. Concurrently with the delivery to the MSRB of any information required pursuant to Section 4(a), 4(b) or 4(c) above, the Dissemination Agent (if any) shall file a certificate with the Institute stating that it has filed such information with the MSRB.

Section 6. Termination of Disclosure Certificate. The obligations of the Institute under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the 2018 Bonds. The Institute shall provide the Dissemination Agent (if any) with written notice that the obligations of the Institute under this Disclosure Certificate have terminated and a written request that the Dissemination Agent file a copy of such notice with the MSRB. If the obligations of the Institute under the Loan Agreement are assumed in full by another obligated person (as defined in the Rule), such Person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Institute, and the Institute shall have no further responsibility hereunder.

Section 7. Amendment. The obligations of the Institute under this Disclosure Certificate may be amended, without notice to or consent of the Holders of the 2018 Bonds, to the extent required or permitted as a result of a change in the legal requirements, or in connection with a change in the identity, nature, corporate organization, or status of the Institute, or the type of business conducted by the Institute, or in connection with a corporate reorganization of the Institute; provided that any such modification of the obligations of the Institute under this Disclosure Certificate shall be done in a manner consistent with the Rule and either (i) does not, in the opinion of a nationally recognized bond counsel, materially impair the interests of Bondholders; or (ii) is approved by the Holders of a majority in aggregate principal amount of the 2018 Bonds.

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

Section 9. Transmission of Information and Notices. Unless otherwise required by law, all documents provided to the MSRB in compliance with Section 4 shall be provided to the MSRB in an electronic format and shall be accompanied by identifying information, in each case as prescribed by the MSRB. As of the date of this Disclosure Certificate, the MSRB has established EMMA as its continuing disclosure service for purposes of the Rule, and unless and until otherwise prescribed by the MSRB, all documents provided to the MSRB in compliance with Section 4 shall be submitted through EMMA in the format prescribed by the MSRB.

Section 10. Default. Any Bondholder may enforce the obligations of the Institute and the Dissemination Agent (if any) under this the Disclosure Certificate; provided however that (i) any breach of such obligations shall not constitute or give rise to a default or an Event of Default under the Indenture, the Loan Agreement, the 2018 Bonds or any other document or agreement relating to the 2018 Bonds, and (ii) the sole remedy for any such breach shall be to compel specific performance of the obligations of the Institute under this Disclosure Certificate.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent (if any), the Underwriter, the Institute and Bondholders, and shall create no rights in any other Person.

Section 12. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Missouri and the Rule.

Section 13. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

Section 14. Dissemination Agent's Rights and Duties. Initially the Institute has not appointed a third party Dissemination Agent, but instead shall comply with all of the requirements of this Disclosure Certificate. In the event the Institute appoints a third party to serve as Dissemination Agent, the following provisions shall apply to such Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth herein. The Dissemination Agent (i) shall not be liable for any error in judgment or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection therewith, except for its own gross negligence or willful misconduct, (ii) shall not be obligated to take any legal action or other action hereunder, which might in its judgment involve any expense or liability unless it has been furnished with indemnification satisfactory to it, and (iii) shall be entitled to consult with counsel satisfactory to it, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel. The duties and responsibilities of the Dissemination Agent hereunder shall be determined solely by the express provisions of this Disclosure Certificate, and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, or duty to inquire into the terms and provisions of any agreement or instructions, other than as outlined in the Disclosure Certificate. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the other parties hereto. In the administration of this Disclosure Certificate, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged of its duties and obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Disclosure Certificate without further act. The Institute covenants and agrees to defend, indemnify and hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, reasonable legal fees and expenses and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Disclosure Certificate. In addition to and not in limitation of the immediately preceding sentence, the Institute also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Disclosure Certificate provided the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. Anything in this Disclosure Certificate to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. This Section 14 shall survive termination of this Disclosure Certificate and the resignation or removal of the Dissemination Agent for any reason.

Section 15. Execution. This Disclosure Certificate may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 16. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be given by telephone and promptly confirmed in writing and shall be deemed given when given by telephone or addressed as follows:

Institute:	Kansas City Art Institute 4415 Warwick Boulevard Kansas City, Missouri 64111 Attn: Chief Financial Officer Telephone: (816) 802-3431 Telecopier: (816) 536-7487 With a copy to: Bryan Cave Leighton Paisner LLP One Kansas City Place 1200 Main Street, Suite 3800 Kansas City, MO 64105-2122 Attn: Stephen S. Sparks
Issuer:	Health and Educational Facilities Authority of the State of Missouri 15450 South Outer Forty Road, Suite 230 Chesterfield, Missouri 63017 Attn: Executive Director Telephone: (636) 519-0700 Telecopier: (636) 519-0792
Bond Trustee:	Commerce Bank 1000 Walnut Street Kansas City, Missouri Attn: Corporate Trust Administrator Telephone: (816) 234-2775 Telecopier: (816) 234-2562

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which subsequent notices, certificates, requests, or other communications shall be sent. In addition, the parties hereto may agree to any other means by which subsequent notices, certificates, requests or other communications may be sent.

IN WITNESS WHEREOF, the Institute has caused this Continuing Disclosure Certificate to be executed in its name and in its behalf, all as of the date and year first above written.

KANSAS CITY ART INSTITUTE

By: ______________________________
Chief Financial Officer

[Signature Page to Continuing Disclosure Certificate]

KANSAS CITY ART INSTITUTE