

NEW ISSUE

Ratings: See “RATINGS” herein.

Book-Entry Only

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer and the University with various covenants, under existing statutes, regulations, and judicial decisions, the interest on the Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See “TAX MATTERS” herein for a description of alternative minimum tax treatment and certain other tax consequences to holders of the Bonds.

\$46,355,000**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY****Educational Facilities Revenue and Revenue Refunding Bonds****(Embry-Riddle Aeronautical University, Inc. Project)****Series 2017****Dated: Date of Delivery****Due: October 15, as shown on inside cover****SEE INSIDE FRONT COVER FOR DETAILED MATURITY SCHEDULE**

The Volusia County Educational Facilities Authority (the “Issuer”) is issuing its Educational Facilities Revenue and Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2017 (the “Bonds”) under a Bond Indenture, dated as of August 1, 2017 (the “Bond Indenture”), between the Issuer and Wells Fargo Bank, National Association, as bond trustee (the “Bond Trustee”). The Bonds are being issued in fully registered form and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Interest on the Bonds is payable on October 15, 2017, and semi-annually thereafter on each April 15 and October 15. Payment of principal and interest will be made to Cede & Co., as registered owner, by the Bond Trustee. Individual purchases will be made in book-entry form only, in denominations of \$5,000 or integral multiples thereof.

The proceeds from the sale of the Bonds will be loaned to Embry-Riddle Aeronautical University, Inc., a Florida not for profit corporation (the “University”), pursuant to a Loan Agreement between the Issuer and the University, and will be applied, together with other available moneys, to (i) finance certain capital improvements to the University’s Daytona Beach, Florida, and Prescott, Arizona campuses as described herein (collectively, the “Project”), (ii) refund the Issuer’s outstanding Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2011 (the “Refunded Bonds”), and (iii) pay the costs of issuance of the Bonds.

Except as described in this Official Statement, the Bonds and the interest payable thereon are limited obligations of the Issuer and are payable solely from and secured exclusively by funds pledged thereto under the Bond Indenture, the payments to be made by the University pursuant to the Loan Agreement and an obligation of the University (“Obligation No. 5”), issued under and entitled to the benefit and security of a Master Trust Indenture, as supplemented (the “Master Indenture”) between Wells Fargo Bank, National Association, as master trustee (the “Master Trustee”) and the University. Obligation No. 5 will be payable equally, ratably and on a parity with the Obligations outstanding (described herein) and any future Obligations issued under the Master Indenture from time to time. The sources of payment of, and security for, the Bonds are more fully described in this Official Statement.

The Bonds are subject to optional and mandatory redemption at the times, and subject to the conditions described in this Official Statement.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE COUNTY OF VOLUSIA (THE “COUNTY”), THE STATE OF FLORIDA (THE “STATE”), THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF YAVAPAI (THE “ARIZONA AUTHORITY”), THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE ISSUER WILL BE OBLIGATED TO PAY THE BONDS OR INTEREST THEREON EXCEPT FROM REVENUES, PROCEEDS AND RECEIPTS PLEDGED UNDER THE BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NO ACT OR OMISSION TO ACT BY THE ISSUER SHALL DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY, THE STATE, THE ARIZONA AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. NEITHER THE MEMBERS OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE HEREOF. THE ISSUER HAS NO TAXING POWER OR AUTHORITY.

The Bonds are being offered for delivery when, as and if issued and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Bryant Miller Olive, Orlando, Florida, Bond Counsel. Certain other legal matters will be passed upon for the University by the Office of General Counsel for the University, for the Issuer by its counsel Landis Graham French, P.A., DeLand, Florida, and for the Underwriter by its counsel, Foley & Lardner LLP, Jacksonville, Florida. It is expected that the Bonds will be delivered to Bond Trustee on behalf of The Depository Trust Company on or about August 17, 2017.

Morgan Stanley

Dated: July 27, 2017

\$46,355,000
VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY
Educational Facilities Revenue and Revenue Refunding Bonds
(Embry-Riddle Aeronautical University, Inc. Project)
Series 2017

\$23,310,000 Serial Bonds

<u>Maturity</u> <u>October 15,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Number*</u>
2023	\$ 390,000	5.00%	1.80%	118.580	928836LY9
2024	405,000	5.00	1.98	120.068	928836LZ6
2025	375,000	5.00	2.16	121.142	928836MA0
2026	460,000	5.00	2.33	121.908	928836MB8
2027	4,680,000	5.00	2.49	122.407	928836MC6
2028	5,505,000	5.00	2.63	121.008 C	928836MD4
2029	4,160,000	5.00	2.73	120.020 C	928836ME2
2031	860,000	5.00	2.91	118.266 C	928836MF9
2032	940,000	5.00	2.98	117.593 C	928836MG7
2033	995,000	5.00	3.04	117.019 C	928836MH5
2034	1,045,000	5.00	3.12	116.259 C	928836MJ1
2035	1,095,000	5.00	3.15	115.975 C	928836MK8
2036	1,170,000	5.00	3.18	115.693 C	928836ML6
2037	1,230,000	5.00	3.20	115.505 C	928836MM4

\$7,195,000 5.00% Term Bond due October 15, 2042 Yield 3.24% Price 115.130 C CUSIP No.* 928836MN2

\$15,850,000 5.00% Term Bond due October 15, 2047 Yield 3.30% Price 114.570 C CUSIP No.* 928836MP7

C = Priced to the first optional redemption date of the Bonds on October 15, 2027.

*The CUSIP numbers are copyright 2017 by the American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and none of the Issuer, the Underwriter or the University takes any responsibility for the accuracy thereof. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service.

Issuer Members

Sara Caldwell, Esq., Chairman
Donald O. Travis, Vice Chairman
Terence M. Henry, Secretary
Frank Robert Huth, Jr.
Randall B. Howard

Executive Director of the Issuer

Disston T. Moore

Issuer's Counsel

Landis Graham French, P.A.
DeLand, Florida

Bond Counsel

Bryant Miller Olive
Orlando, Florida

University Counsel

Office of General Counsel
Embry-Riddle Aeronautical University
Daytona Beach, Florida

Financial Advisor to the University

Public Financial Management, Inc.

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the University, the Issuer, or the Underwriter. The information set forth herein concerning the University has been furnished by the University and is believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will under any circumstances create any implication that there has been no change in the affairs of the University since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information contained in this Official Statement has been furnished by the University, the Issuer, DTC and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND INDENTURE AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

CAUTIONARY STATEMENT 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," "budget" or other similar words. Such forward looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A to this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT 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. THE UNIVERSITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1
THE ISSUER	2
THE BONDS	3
General Information	3
Optional Redemption.....	3
Mandatory Sinking Fund Redemption	4
Notice of Redemption.....	4
Payment of Redeemed Bonds.....	4
BOOK-ENTRY ONLY SYSTEM.....	5
SECURITY FOR THE BONDS	7
General	7
Limited and Special Obligations	7
Loan Agreement.....	8
Funds and Accounts Under the Bond Indenture and Other Property	8
Master Indenture.....	8
Certain Covenants of the University	10
Mortgage Release and Negative Pledge	11
Additional Covenants and Restrictions	12
THE PLAN OF FINANCE	12
General	12
The Project.....	12
Refunding Plan	13
ESTIMATED SOURCES AND USES OF FUNDS	14
ANNUAL DEBT SERVICE REQUIREMENTS OF THE UNIVERSITY	15
BONDHOLDERS' RISKS	16
Construction Risks.....	16
Accreditation	16
Tuition Revenues.....	16
Competition	17
Gifts, Grants and Bequests	17
Enforceability of Remedies	17
Rights of Existing Holders	18
State Legislation	18
Tax Exemption	18
Severe Weather.....	19
Other Factors	19
LITIGATION.....	20
APPROVAL OF LEGALITY.....	20

CONTINUING DISCLOSURE	20
DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS.....	21
TAX MATTERS.....	21
General	21
Tax Treatment of Bond Premium.....	22
Information Reporting and Backup Withholding.....	23
UNDERWRITING	23
RATINGS	24
FINANCIAL STATEMENTS	24
CONTINGENT FEES	24
MISCELLANEOUS	24
APPENDIX A -- Information Regarding Embry-Riddle Aeronautical University, Inc.	
APPENDIX B -- Audited Financial Statements of the University for the Year Ended June 30, 2016	
APPENDIX C -- Forms of Master Indenture (and the Supplement thereto), Bond Indenture and Loan Agreement	
APPENDIX D -- Form of Bond Counsel Opinion	
APPENDIX E -- Form of Disclosure Dissemination Agent Agreement	

OFFICIAL STATEMENT
relating to
\$46,355,000
VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY
Educational Facilities Revenue and Revenue Refunding Bonds
(Embry-Riddle Aeronautical University, Inc. Project)
Series 2017

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, inside cover page and the appendices hereto, sets forth certain information in connection with the offering by the Volusia County Educational Facilities Authority (the “Issuer”) of its \$46,355,000 Educational Facilities Revenue and Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2017 (the “Bonds”). The proceeds from the sale of the Bonds will be loaned to the University pursuant to a Loan Agreement dated as of August 1, 2017 (the “Loan Agreement”) between the Issuer and the University and applied, together with other available moneys, to (i) finance certain equipment, capital improvements and renovations to the University’s Daytona Beach, Florida, and Prescott, Arizona campuses as described herein (collectively, the “Project”); (ii) refund the Issuer’s outstanding Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2011 (the “Refunded Bonds”), and (iii) pay the costs of issuance of the Bonds. The Bonds are being issued under a Bond Indenture dated as of August 1, 2017 (the “Bond Indenture”), between the Issuer and Wells Fargo Bank, National Association, in its capacity as bond trustee (the “Bond Trustee”). The Bonds will be dated, mature and bear interest, will be subject to optional and mandatory redemption, and will have such other terms as are described herein under “The Bonds.”

Pursuant to the Loan Agreement, the Issuer will apply the proceeds of the Bonds as provided therein and the University agrees to make loan payments in amounts equal to the principal or redemption price of, and interest on, the Bonds when due and to make all deposits to the funds and accounts created pursuant to the Bond Indenture, all as provided therein.

The payments to be made by the University pursuant to the Loan Agreement and an obligation of the University (“Obligation No. 5”), issued under and entitled to the benefit and security of a Master Trust Indenture dated as of February 1, 2015, as supplemented (the “Master Indenture”) between Wells Fargo Bank, National Association, as master trustee (the “Master Trustee”) and the University. Obligation No. 5 will be payable equally, ratably and on a parity with other Obligations issued under the Master Indenture from time to time. The sources of payment of, and security for, the Bonds are more fully described in this Official Statement.

Forms of the Bond Indenture, the Loan Agreement and the Master Indenture and the supplement thereto, including certain defined terms used in this Official Statement, and are set forth in APPENDIX C hereto. Certain general information with respect to the University is included as APPENDIX A hereto and certain audited financial statements of the University are included as APPENDIX B. The description and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements are qualified in their entirety by reference to each document. Until the issuance and delivery of the Bonds, copies of drafts of the documents described in this Official Statement may be obtained from the Underwriter. After delivery of the Bonds, copies of the executed documents will be available for inspection at the corporate trust office of Bond Trustee.

THE ISSUER

The Issuer is a public body corporate and politic, created by the County Council of Volusia County, Florida, pursuant to the Higher Educational Facilities Authorities Law, Chapter 243, Florida Statutes, as amended (the “Act”). The Issuer has the power under the Act to assist accredited not for profit institutions of higher education through the issuance of bonds or notes for the purpose of acquiring, constructing, equipping, improving or refinancing educational facilities projects. The Issuer has no taxing power. Neither the State of Florida (the “State”), Volusia County (the “County”) nor any other political subdivision of the State is in any way liable for any payment of principal, interest or redemption premium on bonds or notes issued by the Issuer. The Issuer has no source of funds for the payment of the Bonds other than the obligations of the University under the Loan Agreement, the Master Indenture and other funds pledged to the payment of the Bonds.

Pursuant to the Act, the County Council of Volusia County appoints five residents of Volusia County as members of the Issuer. The members are appointed for staggered terms of five years each and hold office until their successors are appointed. Issuer members are eligible for reappointment. The current members of the Issuer and their respective terms are as follows:

<u>Members</u>	<u>Term Expires</u>
Sara Caldwell, Esq., Chairman	March 1, 2019
Donald O. Travis, Vice Chairman	March 1, 2020
Terence M. Henry, Secretary	March 1, 2022
Frank Robert Huth, Jr.	March 1, 2018
Randall B. Howard*	March 1, 2021

*Dr. Howard also serves as Senior Vice President and Chief Financial Officer of the University, and has recused himself from any action of the Issuer relating to the issuance of the Bonds.

The Issuer has issued other revenue bonds for the benefit of the University and for other educational institutions and educational facilities. The Issuer may continue to issue additional revenue bonds for other educational institutions and educational facilities, but, except for any Additional Indebtedness which may be on a parity with the Bonds pursuant to the Loan Agreement, such bonds will not be payable from the revenues or secured by the security pledged to the payment of the Bonds.

The Issuer and the Industrial Development Authority of the County of Yavapai, Arizona (the “Arizona Authority”) have entered into an Interlocal Agreement dated March 15, 1996, pursuant to which the Arizona Authority delegated to the Issuer the authority to issue bonds to finance facilities and improvements located at the University’s campus in Prescott, Arizona (the “Prescott campus”). A portion of the Project is located at the Prescott campus.

The Bonds will be limited obligations of the Issuer described under the caption “SECURITY FOR THE BONDS—Limited Obligations” herein.

THE BONDS

General Information

The Bonds will be dated their date of delivery, numbered consecutively R-1 upward and issued in denominations of \$5,000 or integral multiples thereof. The Bonds will mature on the dates and will bear interest at the rates set forth on the inside cover page of this Official Statement. The Bonds will be issued in registered form only. The initial registered owner of the Bonds will be Cede & Co., as nominee of The Depository Trust Company. See **“BOOK ENTRY ONLY SYSTEM.”**

Interest on the Bonds shall be payable semi-annually on April 15 and October 15 of each year, commencing October 15, 2017, by check or draft mailed on or before the interest payment date to the registered owner thereof at the address reflected on the registration books maintained by the Bond Trustee at the close of business on the record date (which shall be the 1st day, whether or not a business day, of the calendar month of such interest payment date) or by wire transfer of funds to a bank account designated by the registered owner of not less than \$1,000,000 in aggregate principal amount of Bonds, subject to the rules regarding book-entry system. Principal of the Bonds shall be payable upon presentation and surrender at the corporate trust office of the Bond Trustee in Jacksonville, Florida.

Optional Redemption

The Bonds maturing on October 15, 2028 and thereafter are subject to optional redemption prior to maturity at any time on and after October 15, 2027. Such redemption may be in whole or in part, from such maturity or maturities as the University may determine and, if less than an entire maturity, in integral multiples of \$5,000 selected by the Bond Trustee as provided in the Bond Indenture, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

[Remainder of Page Intentionally Left Blank]

Mandatory Sinking Fund Redemption

The Bonds maturing on October 15, 2042 are subject to mandatory redemption in part by lot on October 15 of the years 2038 through 2042, inclusive; and are payable at maturity at the principal amount thereof plus interest accrued to the date fixed for redemption or payment, without premium, as set forth below:

October 15, 2042 Maturity

<u>October 15</u>	<u>Principal Amount</u>	<u>October 15</u>	<u>Principal Amount</u>
2038	\$ 1,300,000	2041	\$1,510,000
2039	1,365,000	2042†	1,590,000
2040	1,430,000		

†Final Maturity

The Bonds maturing on October 15, 2047 are subject to mandatory redemption in part by lot on October 15 of the years 2043 through 2047, inclusive; and are payable at maturity at the principal amount thereof plus interest accrued to the date fixed for redemption or payment, without premium, as set forth below:

October 15, 2047 Maturity

<u>October 15</u>	<u>Principal Amount</u>	<u>October 15</u>	<u>Principal Amount</u>
2043	\$ 1,670,000	2046	\$5,150,000
2044	1,765,000	2047†	5,410,000
2045	1,855,000		

†Final Maturity

Notice of Redemption

Notice of redemption shall be given by the Bond Trustee by first class mail, postage prepaid, to the registered owner of each Bond or portion of Bond to be redeemed at his or her last address, appearing upon the registry books not less than 30 days nor more than 45 days prior to the date fixed for redemption. Failure to give such notice by mailing to any registered owner, or a defect in such notice, as to any Bond will not affect the validity of the proceedings for the redemption of any other Bond for which notice was properly given. Notice is deemed properly given upon the first class mailing of the notice.

Any notice of redemption may contain a statement that the redemption of the Bonds on the date set for redemption is conditioned upon the occurrence of certain events to occur after the mailing of the notice but on or prior to the date set for redemption, including, without limitation, the issuance of refunding obligations. If the funds for the redemption of the Bonds to be redeemed have not been irrevocably deposited with the Bond Trustee on or prior to the date of the notice of redemption, such notice shall state that such redemption is subject to the deposit of funds by the University.

Payment of Redeemed Bonds

On the date designated for redemption by notice given in the manner provided in the Bond Indenture, the Bonds so called for redemption will become and be due and payable. If on the date fixed

for redemption moneys for payment of the redemption price and accrued interest are held by the Bond Trustee or Paying Agent as provided in the Bond Indenture, interest on the Bonds so called for redemption shall cease to accrue, such Bonds will no longer be entitled to any benefit or security under the Bond Indenture except the right to receive payment from the money held by the Bond Trustee or Paying Agent and will not be deemed to be Outstanding under the provisions of such Indenture.

BOOK-ENTRY ONLY SYSTEM

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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.

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

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

the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

DTC MAY DISCONTINUE PROVIDING ITS SERVICES AS DEPOSITORY WITH RESPECT TO THE BONDS AT ANY TIME BY GIVING REASONABLE NOTICE TO THE ISSUER OR THE BOND TRUSTEE. IF DTC DISCONTINUES PROVIDING ITS SERVICE, BOND CERTIFICATES SHALL BE ISSUED ONLY UPON SURRENDER TO THE BOND TRUSTEE OF THE BOND OF EACH MATURITY BY DTC OR ITS NOMINEE, ACCOMPANIED BY REGISTRATION INSTRUCTIONS FOR THE DEFINITIVE REPLACEMENT BONDS FOR SUCH MATURITY FROM DTC OR ITS NOMINEE. NEITHER THE ISSUER, NOR THE UNIVERSITY, NOR THE BOND TRUSTEE SHALL BE LIABLE FOR ANY DELAY IN DELIVERY OF SUCH INSTRUCTIONS AND CONCLUSIVELY MAY RELY ON, AND SHALL BE PROTECTED IN RELYING ON, SUCH INSTRUCTIONS.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE UNIVERSITY BELIEVES TO BE RELIABLE, BUT NEITHER THE ISSUER NOR THE UNIVERSITY TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

NEITHER THE ISSUER NOR THE UNIVERSITY NOR THE BOND TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE PARTICIPANTS OR THE

PERSON FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. NEITHER THE ISSUER NOR THE UNIVERSITY GIVE ANY ASSURANCES THAT DTC, PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT OR FOR THE SELECTION BY DTC OR ANY PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, references herein to the owners or holders of the Bonds (other than under the caption "TAX MATTERS" herein) shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

For every transfer of ownership interests in the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

SECURITY FOR THE BONDS

General

The Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee (1) Obligation No. 5, (2) certain rights of the Issuer under the Loan Agreement, (3) the funds and accounts (excluding the Rebate Fund), including the money and investments in such funds, which the Bond Trustee holds under the terms of the Bond Indenture, and (4) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or Obligation No. 5.

The Bonds will be payable on a parity with the Issuer's Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University Project), Series 2013 (the "Series 2013 Bonds"), the Issuer's Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project), Series 2015A (the "Series 2015A Bond"), the Issuer's Educational Facilities Revenue Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2015B (the "Series 2015B Bonds") and the Issuer's Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project), Series 2015C (the "Series 2015C Bond"). See "ANNUAL DEBT SERVICE REQUIREMENTS OF THE UNIVERSITY" herein and "Outstanding Indebtedness" in Appendix A hereto.

Limited and Special Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE COUNTY, THE STATE, THE ARIZONA AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE ISSUER WILL BE OBLIGATED TO PAY THE BONDS OR INTEREST THEREON EXCEPT FROM REVENUES, PROCEEDS AND RECEIPTS PLEDGED UNDER THE BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, OR OF ANY POLITICAL SUBDIVISION THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST

ON THE BONDS. NO ACT OR OMISSION TO ACT BY THE ISSUER SHALL DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY, THE STATE, THE ARIZONA AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. NEITHER THE MEMBERS OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE HEREOF. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY, THE STATE, THE ARIZONA AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT AND SUCH BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT AND SHALL NEVER CONSTITUTE A DEBT OF THE COUNTY, THE STATE, THE ARIZONA AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE STATE AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE CREDIT OR TAXING POWER OF THE COUNTY, THE STATE, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, OR POLITICAL SUBDIVISION OR AGENCY THEREOF. THE ISSUER HAS NO TAXING POWER OR AUTHORITY.

Loan Agreement

Under the Loan Agreement, the University is required to duly and punctually to pay the principal of, premium, if any, and interest on the Bonds, and to make certain other payments. See "Form of Loan Agreement" in APPENDIX C hereto.

Funds and Accounts Under the Bond Indenture and Other Property

General. The Bonds are also payable from (i) amounts on deposit in the funds or accounts established under the Bond Indenture, subject to application of such amounts as set forth in the Bond Indenture; and (ii) any and all real or personal property hereafter conveyed, pledged, assigned or transferred in favor of the Bond Trustee as security for the Bonds.

No Reserve Fund or Mortgage. No reserve fund or Mortgage has been established with respect to the Bonds.

Master Indenture

General. The Master Indenture is intended to provide assurance for the repayment of obligations entitled to its benefits by imposing financial and operating covenants which restrict the University and by the appointment of the Master Trustee to enforce such covenants for the benefit of the holders of such obligations. In the Master Indenture, the University has granted to the Master Trustee a continuing security interest in, and a collateral assignment of, (i) all rights and interest in, under and pursuant to the Negative Pledge Agreement and (ii) all Tuition Revenues. A portion of the Tuition Revenues consisting of the Ancillary Portion is subject to being released in accordance with the Master Indenture. See "SECURITY FOR THE BONDS — Tuition Revenues, and — Mortgage Release and Negative Pledge Agreement."

The holders of all obligations (each, an "Obligation") entitled to the benefit of the Master Indenture will be on a parity with respect to the benefits of the Master Indenture. Obligation No. 5 will be issued in an original principal amount equal to the original principal amount of the Bonds. The Issuer's

rights under Obligation No. 5 will be assigned to the Bond Trustee for the benefit of the Holders of the Bonds and become part of the Trust Estate pledged under the Bond Indenture relating to the Bonds.

Upon the issuance of Obligation No. 5, there will be other Obligations (together with Obligation No. 5, the "Outstanding Obligations") outstanding under the Master Indenture, which other Outstanding Obligations will not be pledged under the Bond Indenture, but will be equally and ratably secured by the Master Indenture with Obligation No. 5 and such other outstanding Obligations. Upon the issuance of the Bonds, the Obligated Group will have approximately \$228,663,000 (subject to change based on final par amount of the Bonds) in aggregate principal amount of Obligations outstanding under the Master Indenture. See "SECURITY FOR THE BONDS – Additional Covenants and Restrictions" herein. For additional information regarding outstanding indebtedness of the University, see "Outstanding Indebtedness" in APPENDIX A.

Currently, only the University and the Master Trustee are parties to the Master Indenture.

Tuition Revenues. The University has pledged its Tuition Revenues to secure the payment of the Obligations and the performance by the University of its other obligations under the Master Indenture. "Tuition Revenues" consist of all receipts, revenues, income and other money received by the University from any source and all rights to receive the same (including, without limitation, all tuition and fee revenues for academic instruction, professional training, use of the University's dormitories, dining facilities, recreational facilities, laboratories, flight training facilities and other services and facilities, and other operating revenues and non-operating revenues determined in accordance with generally accepted accounting principles), whether in the form of accounts receivable, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance thereon, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the University; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income derived therefrom, to the extent required by such designation, shall be excluded from Tuition Revenues.

"Ancillary Revenue Portion" shall mean the certain revenues currently included and pledged as a portion of the Tuition Revenues herein, which shall consist solely of the revenues, receipts and income received from the University's (i) housing or dormitory programs and facilities, (ii) dining programs and facilities, (iii) student center related enterprises and vending, (iv) book sales, (v) sports and recreation fees and revenues, and (vi) parking programs and facilities.

Under the Master Indenture, the University is entitled to release the Ancillary Revenue Portion from the lien on and pledge of such revenues upon the following having occurred:

(i) During any period the University maintains credit ratings from two nationally recognized securities rating agencies, the Master Trustee shall receive written confirmation from either of such nationally recognized securities rating agency which is then maintaining a credit rating on the University's Related Bonds, and during any period the University maintains credit ratings from three nationally recognized securities rating agencies, the Master Trustee shall receive written confirmation from at least two of such rating agencies, that such then in effect credit rating is confirmed, and shall not be lowered or withdrawn as a consequence of the release of the Ancillary Revenue Portion; and

(ii) Payment has been made, or provision for payment in accordance with the Prior Obligations, of the Outstanding Prior Bonds and therefore the liens, estates and security interests granted thereto have ceased. Upon the issuance of the Bonds and the refunding of the Refunded Bonds, the Outstanding Prior Bonds will be paid in full and no Prior Obligations will remain outstanding.

Tuition Depository Account. Pursuant to the Master Indenture, the University agrees that, as long as any of the Obligations remain outstanding or any payments under the Loan Agreement remain unpaid, all of the Tuition Revenues shall be deposited as soon as practicable upon receipt in a fund designated the "Tuition Revenue Fund" at such banking institution or institutions as the University shall from time to time designate for such purpose (the "Depository Bank"). Currently, Wells Fargo Bank, National Association, serves as the Depository Bank. Subject only to the provisions of the Master Indenture, permitting the application of Tuition Revenues for the purposes and on the terms and conditions set forth therein, the University has pledged and granted a security interest to the Master Trustee in, the Tuition Revenue Fund and all of the Tuition Revenues to secure the payment of the Obligations and the performance by the University of its other obligations under this Master Indenture.

Amounts in the Tuition Revenue Fund may be used and withdrawn by the University at any time for any lawful purpose, except as hereinafter provided in the event that the University is delinquent for more than one (1) Business Day in the payment of principal of, or interest on, the Obligations issued hereunder (which delinquency is known by the Bond Trustee for the Prior Bonds or by any Related Bond Trustee or by the Master Trustee). In such event, the Master Trustee or the Bond Trustee, as applicable, shall notify the University and the Depository Bank(s) of such delinquency unless the University pays the delinquent debt service payment within five (5) days after receipt by the University of such notice, the University shall cause the Depository Bank(s) to, and the Depository Bank(s) shall, in accordance with the Depository Bank Agreement(s), hold the Tuition Revenue Fund to the name and credit of the Master Trustee (for the Obligations) and in trust for any other Additional Indebtedness on a parity therewith, as security for their respective interests in the Tuition Revenue Fund. All Tuition Revenues shall continue to be deposited in the Tuition Revenue Fund as provided above, until the amounts on deposit in said Fund are sufficient to pay in full (or have been used to pay in full) all payments with respect to the Obligations on a parity with the University's obligations until all other Events of Default shall have been made good or cured or adequate provision shall have been made therefor. The Tuition Revenue Fund (except for the Tuition Revenues required to make such payments or cure such defaults) shall be thereafter returned to the name and credit of the University. During any period that the Tuition Revenue Fund is held in the name and to the credit of the Master Trustee and the respective Bond Trustee for the Prior Bonds, funds shall be withdrawn from time to time in amounts from said Fund to make payments required of the University under this Master Indenture and payment with respect to any Obligations thereunder (as certified to the Master Trustee to be due and owing by the Holder thereof) as such payments become due (whether by maturity, prepayment, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of payments with respect to such Obligations on a parity with the University's obligations hereunder ratably, according to the amounts due respectively for payments with respect to such Obligations (as so certified), without any discrimination or preference, and thereafter to such other payments in the order which the Master Trustee, in its discretion, shall determine to be necessary or advisable, without discrimination or preference. During any period that the Tuition Revenue Fund is held in the name and to the credit of the Master Trustee, the University shall not be entitled to use or withdraw any of the Tuition Revenues unless (and then only to the extent that) the Master Trustee in its sole discretion so directs for the payment of current or past due operating expenses of the University.

Certain Covenants of the University

In addition to the covenants described below, the Master Indenture contains additional covenants relating to, among others, the maintenance of the University's property, corporate existence, the maintenance of insurance, the incurrence of debt, the sale or lease of certain property, and permitted liens. For a full description of these and other covenants, see "The Form of Master Indenture" in APPENDIX C hereto.

Debt Service Coverage Ratio. Pursuant to the Master Indenture, the University has agreed to maintain a Debt Service Coverage Ratio of not less than 1.10, calculated annually on each July 1, beginning July 1, 2015, for the immediately preceding Fiscal Year.

"Debt Service Coverage Ratio" means the ratio determined by dividing Net Revenues Available for Debt Service for any period by Required Debt Payments for such period.

"Net Revenues Available for Debt Service" means (a) changes in unrestricted net assets, plus (b) interest payments on Indebtedness, plus (c) depreciation and amortization, plus (d) unrealized losses on investments, minus (e) unrealized gains on investments, and (f) without giving effect to (i) any changes in the value of any Derivative Agreement (whether a positive or negative number), (ii) any changes in post retirement benefits (other than pension) (whether positive or negative), or (iii) any change in other non-cash expenses as defined by Generally Accepted Accounting Principles (whether a positive or negative number).

"Required Debt Payments" for any period, means the sum of all required payments of principal due with respect to Indebtedness during such period, plus interest due with respect to all Indebtedness during such period. Required Debt Payments with respect to any Operating Line of Credit shall be calculated with the principal amount outstanding being amortized mortgage style over a twenty (20) year period and with interest assumed to be at the rate which is the actual rate charged at the time of the calculation.

Limitations on Incurrence of Indebtedness. Under the Master Indenture, the University shall not to incur, create, guarantee, assume or permit to exist any Indebtedness (including guaranties or contingent obligations), however evidenced, unless after the incurrence, creation, assumption or otherwise existence of such Indebtedness, and giving effect to such Indebtedness, the University would be in compliance with the financial covenant set forth above under "Debt Service Coverage Ratio" at a Debt Service Coverage Ratio of not less than 1.20, and such Indebtedness is otherwise permitted under the terms and conditions of any Reimbursement Agreement or such related or similar financing or covenant agreement entered into by the University. The University shall be entitled to enter into Guaranties for a total amount at any time Outstanding not in excess of five percent (5%) of its Tuition Revenues (which shall not include the Ancillary Revenue Portion to the extent that such portion has been released). Any such Guaranty shall only be included and counted as Indebtedness to the extent such Guaranty is drawn on.

Mortgage Release and Negative Pledge

As additional security for the payments of the amounts due from the University and the performance of the University of its obligations under the Master Indenture, the University has previously entered into the Mortgage and Security Agreement, dated as of June 1, 1999, as amended and supplemented (collectively, the "Mortgage"). Under the Master Indenture, the University is entitled to release and satisfy the Mortgage, and the Master Trustee agrees to execute documents to effectuate the Mortgage Release upon evidence of the payment in full of the Prior Bonds and the written request of the University for the Mortgage Release. In connection with the issuance of the Bonds and the refunding of the Refunded Bonds (which are the only Prior Bonds which remain outstanding as of the date hereof), the University intends to release and satisfy the Mortgage and execute and record the Negative Pledge Agreement (in the form attached to the Master Indenture) pursuant to which it agrees not grant a lien or mortgage on its real Property, except for Permitted Liens. See the form of the Master Indenture in APPENDIX C hereto.

Additional Covenants and Restrictions

The provisions Supplemental Indenture for Obligation No. 1, Supplemental Indenture for Obligation No. 3 and the Supplemental Indenture for Obligation No. 4 contain certain covenants in addition to the covenants contained in the Master Indenture. These covenants require the University to maintain prescribed levels of liquidity, capitalization and debt service coverage, limit the ability of the University to incur debt and to encumber property and require the University to maintain a rating of at least BBB-, and are in many respects more restrictive than the covenants contained in the Master Indenture. These more restrictive financial covenants may be enforced, waived or modified at any time by the holders of the Series 2013 Bonds, the Series 2015A Bond or the Series 2015C Bond, or Obligation No.1, Obligation No. 3 or Obligation No. 4 at their sole discretion without the necessity of obtaining the approval of the Master Trustee, the Bond Trustee, the Bondholders or the holders of any other Obligation including Obligation No. 5. Failure of the University to comply with these more restrictive covenants will give the holders thereof the right to direct the Master Trustee to declare an Event of Default under the Master Indenture and to exercise remedies thereunder, notwithstanding the possible compliance by the University with the covenants of the Master Indenture without these additional covenants. The Bondholders will have no right to enforce performance of these more restrictive covenants against the University.

THE PLAN OF FINANCE

General

The proceeds of the Bonds will be used, together with other funds provided by the University to (i) finance certain costs of the Project, as further described below; (ii) refund the Refunded Bonds, and (iii) pay the costs of issuance of the Bonds.

Simultaneously with or immediately prior to the issuance of the Bonds, the University will enter undertake a short term borrowing with Compass Bank, pursuant to which Compass Bank will loan the University approximately \$14.9 million to be applied to the refunding of the remaining portion of the Refunded Bonds not being refunded with the proceeds of the Bonds (the “Refunding Loan”), as further described below. The Refunding Loan will be a general, unsecured obligation of the University subordinate to the payment of the Bonds and any Obligations outstanding under the Master Indenture.

The Project

A portion of the proceeds of the Bonds loaned to the University will be used to finance or refinance a portion of the cost of constructing and equipping new residence halls owned and operated by the University in Daytona Beach, Florida and Prescott, Arizona (collectively, the “Project”).

The residence hall in Daytona Beach is expected to be five stories and 144,500 square feet with approximately 328 finished beds, and will include lounges, study rooms, laundry, a dining facility, and shell space for approximately 284 additional beds (612 total beds). Construction is estimated to begin May 2018 and completed August 2019.

The University is considering various options for the design of the shell space including affinity housing for registered student organizations, athletic groups, and academic organizations to create their own living community around their particular needs and interests. Based on student housing demand and University plans, the shell space will be completed concurrent with or subsequent to the initial

construction. The University plans to use operating reserves for the build-out of the shell space (approximately \$7.5 million).

The residence hall in Prescott is expected to be three stories and 72,000 square feet, with approximately 280 beds, and will include lounges, study rooms, a game room, a fitness room and laundry. Construction is estimated to begin August 2017 and completed in August 2018.

The individual components of the Project are in varying stages of design and development. Certain infrastructure work has begun. Construction has not yet begun. Fixed price construction contracts have not been obtained for any portion of the Project. The estimated total budget for the Project (construction, furnishings/equipment, and soft costs) is shown below. It should be noted that the build out of the shell space (approximately \$7.5 million) is not a component of the Project and, when undertaken, will be funded by available University resources.

Daytona Beach Campus	
Residence Hall	\$24,500,000
Prescott Campus	
Residence Hall	\$17,500,000
	<hr/>
	\$42,000,000

The University may add, delete and modify projects and accordingly the application of Bond proceeds, consistent with applicable tax regulations. If the actual cost of the Project is less than the University's estimates, the Project may be expanded to include other equipment and capital improvements comprising part of the University's Master Plan.

Refunding Plan

A portion of the proceeds of the Bonds, together with proceeds of the Refunding Loan and with other funds, will be irrevocably deposited in an escrow account (the "Escrow Account") established pursuant to an Escrow Deposit Agreement between the University and Wells Fargo Bank, National Association, as escrow agent. The investments and cash on deposit in the Escrow Account will be sufficient to pay principal of and interest when due on the Refunded Bonds and to redeem the remaining then outstanding Refunded Bonds on October 15, 2021, at a redemption price of 100% of the principal amount so redeemed plus accrued interest thereon to the date of redemption. Concurrent with the delivery of the Bonds, Integrity Public Finance Consulting LLC will deliver its verification report indicating that it has verified certain information and assertions provided by the Underwriters, including verification of the adequacy of the Escrow Account deposits to pay, when due, the various refunding requirements and the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not arbitrage bonds under the Code. Upon such irrevocable deposit, the Refunded Bonds will be deemed paid and no longer outstanding under the Indenture. The deposit of moneys and investments into the Escrow Account will constitute an irrevocable deposit for the sole benefit of the holders of the Refunded Bonds. The Owners of the Bonds will have no rights to the Escrow Account.

ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the anticipated application of proceeds derived from the sale of the Bonds:

Sources:

Par Amount	\$ 46,355,000.00
Original Issue Premium	7,980,668.45
Other Available Funds of the University ¹	22,235,634.31
Total Sources	\$ 76,571,302.76

Uses:

Deposit to the Construction Fund	\$ 42,003,680.89
Escrow Account for Refunded Bonds	34,087,049.88
Costs of Issuance ²	480,571.99
Total Uses	\$ 76,571,302.76

¹ Includes Refunding Loan proceeds, amounts on deposit in the funds and accounts for the Refunded Bonds and other available moneys.

² Underwriter's discount, legal fees, printing and other miscellaneous issuance costs.

[Remainder of Page Intentionally Left Blank]

ANNUAL DEBT SERVICE REQUIREMENTS OF THE UNIVERSITY

The annual debt service requirements on the Bonds and other outstanding debt of the University are as follows:*

Fiscal Year Ending June 30	Bonds			Other Long Term Debt†	Aggregate Debt Service
	Principal	Interest	Debt Service		
2018	--	\$ 1,532,290	\$ 1,532,290	\$ 11,491,408	\$ 13,023,698
2019	--	2,317,750	2,317,750	11,800,010	14,117,760
2020	--	2,317,750	2,317,750	12,195,480	14,513,230
2021	--	2,317,750	2,317,750	12,250,957	14,568,707
2022	--	2,317,750	2,317,750	12,202,719	14,520,469
2023	--	2,317,750	2,317,750	11,989,197	14,306,947
2024	\$ 390,000	2,308,000	2,698,000	15,697,364	18,395,364
2025	405,000	2,288,125	2,693,125	15,703,203	18,396,328
2026	375,000	2,268,625	2,643,625	15,752,196	18,395,821
2027	460,000	2,247,750	2,707,750	15,692,052	18,399,802
2028	4,680,000	2,119,250	6,799,250	11,600,605	18,399,855
2029	5,505,000	1,864,625	7,369,625	11,026,188	18,395,813
2030	4,160,000	1,623,000	5,783,000	12,614,379	18,397,379
2031	--	1,519,000	1,519,000	16,860,993	18,379,993
2032	860,000	1,497,500	2,357,500	3,192,450	5,549,950
2033	940,000	1,452,500	2,392,500	3,155,450	5,547,950
2034	995,000	1,404,125	2,399,125	3,150,575	5,549,700
2035	1,045,000	1,353,125	2,398,125	3,151,700	5,549,825
2036	1,095,000	1,299,625	2,394,625	3,152,125	5,546,750
2037	1,170,000	1,243,000	2,413,000	3,134,000	5,547,000
2038	1,230,000	1,183,000	2,413,000	3,132,450	5,545,450
2039	1,300,000	1,119,750	2,419,750	3,128,850	5,548,600
2040	1,365,000	1,053,125	2,418,125	3,127,750	5,545,875
2041	1,430,000	983,250	2,413,250	3,135,625	5,548,875
2042	1,510,000	909,750	2,419,750	3,128,500	5,548,250
2043	1,590,000	832,250	2,422,250	3,125,375	5,547,625
2044	1,670,000	750,750	2,420,750	3,125,750	5,546,500
2045	1,765,000	664,875	2,429,875	3,119,375	5,549,250
2046	1,855,000	574,375	2,429,375	3,116,000	5,545,375
2047	5,150,000	399,250	5,549,250	--	5,549,250
2048	5,410,000	135,250	5,545,250	--	5,545,250
TOTAL	46,355,000	46,214,915	\$ 92,569,915	\$233,952,722	\$ 326,522,637

* Amounts may not add due to rounding.

† Includes the Series 2013 Bonds, the Series 2015A Bond, the Series 2015B Bonds and the Series 2015C Bond. Does not include the Refunded Bonds (Series 2011) which will be defeased on the date of issuance of the Bonds. See "PLAN OF FINANCE" herein.

BONDHOLDERS' RISKS

The Bonds are limited and special obligations of the Issuer, payable solely from the revenues received from the University (except to the extent paid out of moneys attributable to bond proceeds and income from investments and, under certain circumstances, proceeds from insurance and condemnation awards), including the loan payments to be made by the University pursuant to the Loan Agreement and from certain other available moneys pledged therefor under the Loan Agreement and the Mortgage. No representation or assurance can be given that revenues will be realized in the amount required to pay the principal of and interest on the Bonds. Bondholders will have no right to seek payment from any sources other than as described under "SECURITY FOR THE BONDS."

There are many factors that may affect the revenues and expenses of the University and, consequently, the University's ability to make payments under the Loan Agreement, including the interest of prospective students in the University's courses of study, willingness and ability of students to pay the University's tuition and fees, availability of governmental appropriations to the University, availability of student financial aid, competition from other educational facilities and adverse economic conditions.

A change in one or more of the foregoing, or the occurrence of other unanticipated events, could adversely affect the University's financial performance.

Construction Risks

The construction portion of the Project is subject to the usual risks associated with construction projects, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, shortages of materials, adverse weather conditions and other casualties. Such events could reduce the revenue flow from the Project. It is anticipated that the proceeds from the sale of the Bonds, together with investment earnings thereon, will be sufficient to complete the Project. However, cost overruns for a project of this magnitude are not uncommon due to change orders and other factors.

Accreditation

The University is accredited by the Southern Association of Colleges and Schools Commission on Colleges ("SACSCOC"). In granting an institution's accreditation and renewing the accreditation each 10 years, SACSCOC considers, among other things, the physical buildings and equipment, the qualifications of the administrative personnel and teaching staffs and the quality of the educational programs and courses offered. A failure on the part of the University to maintain its accreditation may result in a reduced number of students attending the University and a reduction in Tuition Revenues and could have a material adverse affect on the financial condition of the University. The University's accreditation was reaffirmed by SACSCOC in 2012 for 10 years.

Tuition Revenues

A significant portion of the University's operating revenues is provided through Tuition Revenues. The University's ability to timely make payments on the Bonds depends on, among other things, a relatively steady level of enrollment and income from tuition and fees paid by students. Although the University has been able to demonstrate an acceptable level of student demand for its programs at current fee levels and in the past has been able to raise tuition and related fees without adversely affecting enrollment at the University, there can be no assurance that it will continue to be able to do so in the future. Demand for attendance at the University may be subject to factors beyond the University's control, such as general economic and demographic conditions and funding of financial aid programs. Future tuition increases also could adversely affect enrollment, which could adversely affect the University's financial position and results of operations.

Competition

As described above, a key factor in maintaining its revenues is the University's ability to attract a sufficient number of qualified students. The University competes with state-supported and private colleges and universities located in the regions where the University draws its students, and some of which have lower tuition and fees than the University. In addition, attracting and retaining qualified faculty is essential to attracting qualified students and is dependent on the University's ability to offer competitive compensation and facilities. No assurances can be given that the University will continue to attract sufficient numbers of qualified students and faculty at current levels of tuition and fees and compensation, respectively.

Gifts, Grants and Bequests

The University annually solicits gifts, donations and bequests for both current operating purposes and other needs. In addition, the University receives various grants from private foundations and from agencies of federal, state and local governments. For the fiscal year of the University ended June 30, 2016, less than 1% of the operating budget of the University was funded with gifts, donations, bequests and grants. Certain donations, bequests and grants are subject to restrictions which limit the purposes for which they may be used. There can be no assurance that the amount of gifts, donations, grants and bequests received by the University will remain stable or increase in the future. Such items could be adversely affected by a number of different factors, including changes in general economic conditions and changes in income tax laws affecting the deductibility of charitable contributions.

Enforceability of Remedies

Enforcement of remedies under the Loan Agreement, the Bond Indenture and the Master Indenture may be limited or restricted by laws relating to bankruptcy and rights of creditors generally and by application of general principles of equity. The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Loan Agreement, the Bond Indenture and the Master Indenture. These remedies, in certain respects, may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreement, the Bond Indenture and the Master Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The enforceability of the security interests created under the Loan Agreement and the Master Indenture may be subject to subordination or prior claims in addition to limitations arising from bankruptcy proceedings. Examples of possible limitations on enforceability and of possible subordination or prior claims may include (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal bankruptcy laws affecting assignment of revenues earned after, or within 90 days prior to, any institution of bankruptcy proceedings by or against the University or the Issuer, and (vi) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Florida Uniform Commercial Code and Arizona Uniform Commercial Code as from time to time in effect.

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the applicable instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. Any of such limitations, if imposed, may adversely affect the ability of the Bond Trustee and the Bondholders to enforce their claims and assert their rights against the University.

Rights of Existing Holders

Certain additional covenants and restrictions have been imposed on the University pursuant to the provisions of Obligation No. 1, Obligation No. 3 and Obligation No. 4, including but not limited to additional consent rights regarding amendments and enforcement of remedies by the holders thereof. See "SECURITY FOR THE BONDS – Additional Covenants and Restrictions." Additionally, the University may agree to additional covenants and restrictions in the future in connection with the incurrence of Indebtedness. Certain existing additional covenants and restrictions are, and future additional covenants and restrictions may be, more restrictive than those set forth in the Master Indenture for the benefit of the holders of Obligation No. 5. Failure of the University to comply with these additional covenants and restrictions may be an Event of Default under the Master Indenture. Such an Event of Default could trigger the enforcement of remedies, including, without limitation, acceleration of payment on indebtedness besides those for which such additional requirements and covenants were imposed.

State Legislation

Because the University has off-campus cluster sites located in sites outside the State of Florida, it is subject to numerous state licensure requirements, including those imposed on nonresident colleges and universities. The University has perceived a general tightening of such requirements, which often include standards for library facilities and required levels of administrative staffing. Such stricter state licensure requirements could adversely affect the University's out-of-state operations and revenues. The University is, however, currently licensed to operate in 33 states. There is no assurance that certain programs offered at locations other than the University's Florida campus which are not currently regulated by state licensure will not also be subject to such regulation in the future.

Tax Exemption

The exemption of interest on the Bonds from federal income taxes is dependent upon continuing compliance by the Issuer and the University with the requirements of the Code. If there is a failure to comply, interest on the Bonds could become includable for federal income tax purposes in the gross incomes of the owners thereof, which inclusion in gross income could be retroactive the date of issuance of the Bonds. A loss of the exclusion of the interest on the Bonds from gross income for federal income tax purposes does not constitute a default under the Bond Indenture and acceleration upon a loss of tax-exempt status is not required under the Bond Indenture. Consequently, the Bond Trustee may not have remedies available to it to mitigate the adverse economic effects to the Owners of the Bonds resulting from the interest on the Bonds becoming subject to federal income taxation. If interest on the Bonds becomes so includable in the owners' gross incomes, the effect will be to reduce the yield on an owner's Bonds as a result of the federal and, in certain cases, state and local, income tax liability incurred in connection with the receipt of interest on the Bonds. **There is no provision for any adjustment to the interest rate borne by the Bonds in the event of any such loss of tax exempt status, nor is any provision made for the payment of any penalties or premium in such event.** Such loss of tax exempt status can be expected to have a material adverse effect on the market price of the Bonds. Potential purchasers of the Bonds should note that there are no provisions for an early redemption of, or interest rate adjustment for, Bonds if interest on the Bonds becomes taxable.

On May 25, 2017, the Corporation received a copy of a notice dated May 18, 2017, sent by the Internal Revenue Service (the "IRS") to Volusia County Educational Facilities Authority, as the issuer of the Series 2011 Bonds, to the effect that the Series 2011 Bonds had been selected for a routine random examination to determine compliance with federal tax requirements, together with a Form 4564 Information Document Request requesting certain information and documentation relating to the Series 2011 Bonds. The Corporation is in the process of fully responding to this request to provide the

requested documentation to the IRS; however, there is no assurance that the examination by the IRS will be completed prior to the issuance of the Bonds. In the Tax Regulatory Agreement relating to the Series 2011 Bonds, the Corporation covenanted to comply with all applicable federal tax requirements and to take actions required to maintain the tax-exempt status of the interest payable on the Series 2011 Bonds. The Corporation believes that the Series 2011 Bonds and all other tax-exempt obligations issued for the benefit of the Corporation comply with all applicable federal tax requirements.

Bryant Miller Olive P.A., bond counsel for the Series 2011 Bonds, rendered an opinion in connection with the issuance of the Series 2011 Bonds to the effect that the interest received by the holders of the Series 2011 Bonds is excludable from gross income for federal income tax purposes. However, opinions of counsel are not binding on the IRS or the courts. That opinion was rendered on the date of issuance of the Series 2011 Bonds and does not address any actions or events after the date of issuance. No ruling with respect to the excludability of interest on the Series 2011 Bonds from gross income for federal income tax purposes, has been or will be sought from the IRS. There can be no assurance that any IRS examination of the Series 2011 Bonds will not adversely affect the market value of the Bonds, as further described in “TAX MATTERS” herein.

Severe Weather

Certain of the University’s Facilities are located in a region susceptible to severe weather events, including hurricanes. The occurrence of hurricanes or other major natural disasters may damage the University’s Facilities, interrupt utility service, or otherwise negatively affect the operations of the University and its ability to produce revenue. Hurricanes often occur in the peak season which corresponds to the opening of each school year. Further, repairs may be delayed due to demand for contractors and building supplies following a major storm and such high demand could cause price increases exceeding available insurance. An active hurricane season could increase deductibles associated with storm damage. Certain of the University’s facilities are located near the eastern Florida coastline and as such a hurricane or severe weather could have a material adverse impact on the operations of the University. For a discussion of the University’s insurance coverage, see “Information Regarding Embry-Riddle Aeronautical University, Inc. – Insurance” in APPENDIX A hereto.

Other Factors

The ability of the University to pay its obligations under the Loan Agreement and Obligation No. 5 will depend upon the continued ability of the University to generate Tuition Revenues sufficient to meet such obligations, the University's operating expenses, debt service on other indebtedness, extraordinary costs or expenses which may occur and other costs and expenses. Revenues and expenses of the University will be affected by future events and conditions relating generally to, among other things, the ability of the University to provide educational programs to meet the needs and wishes of students during the time that the Bonds remain outstanding, the capabilities of the University's Board of Trustees and administration, the University's ability to control expenses during inflationary periods, the University's ability to maintain or increase rates for tuition, fees and other revenues without reducing enrollment, the ability of the University to attract and retain quality faculty members for its educational programs, the investment experience of the University's endowment and other funds, future gifts, donations and bequests, governmental assistance for student financial aid, and grants and contracts from governmental bodies and agencies and others. In addition, future revenues and expenses of the University will be subject to other conditions that cannot be determined at this time. In addition, in the future, the following factors, among many others, may adversely affect the operations of the University to an extent that cannot be determined at this time:

- (1) Changes in the demand for higher education in general or for programs offered by the University in particular.
- (2) A decline in the demographic pool of candidates who may elect to attend the University.
- (3) Lack of demand for on-campus housing.
- (4) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- (5) Increased costs and decreased availability of insurance.
- (6) Cost and availability of energy.
- (7) High interest rates which could prevent borrowing for needed capital expenditures.
- (8) A decrease in student loan funds or other aid that provides many students the opportunity to pursue higher education.
- (9) An increase in the costs of health care benefits, retirement plan or other benefit packages offered by the University to its employees.
- (10) Reduction in funding support from donors or other external sources.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceeding of the Issuer or the University taken with respect to the issuance or sale thereof. There is no litigation pending which in any manner questions the right of the Issuer to enter into the Bond Indenture or the Loan Agreement. See also the section entitled "Litigation" in APPENDIX A hereto.

APPROVAL OF LEGALITY

The Bonds were authorized by resolution of the Issuer, and were approved by the County Council of Volusia County, Florida and the Board of Supervisors of Yavapai County, Arizona, after public hearings in each of the respective counties.

Certain legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Bryant Miller & Olive P.A., Orlando, Florida, Bond Counsel, whose approving opinion, substantially in the form of APPENDIX D hereto, will be delivered upon the issuance of the Bonds. Certain other legal matters will be passed upon for the University by the Office of General Counsel for the University; for the Issuer by its counsel, Landis Graham French, P.A., DeLand, Florida; and for the Underwriter by its counsel, Foley & Lardner LLP, Jacksonville, Florida.

CONTINUING DISCLOSURE

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

The University has covenanted for the benefit of the holders of the Bonds to provide certain annual financial information or operating data and audited financial statements (collectively, the "Annual Report") and to provide notices of the occurrence of certain events (each, a "Material Event"). Pursuant to a Disclosure Dissemination Agent Agreement (the "Disclosure Dissemination Agreement"), by and between the University and Digital Assurance Corporation, L.L.C., as dissemination agent (the "Dissemination Agent"), the Annual Report and notice of a Material Event will be filed with the

Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the Material Event notices is set forth in “Form of Disclosure Dissemination Agent Agreement” in APPENDIX E hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

The University has entered into similar undertakings relating to prior bonds. Within the last five years, the University has complied, in all material respects, with its prior continuing disclosure undertakings.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Rule 69W-400.003, Rules for Government Securities, promulgated by the Florida Department of Banking and Finance, Division of Securities, under section 517.051(1), Florida Statutes (“Rule 69W-400.003”), requires the Issuer to disclose each and every default as to payment of principal and interest with respect to an obligation issued by the Issuer after December 31, 1975. Rule 69W-400.003 further provides, however, that if the Issuer in good faith believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted.

The Issuer, in the case of the Bonds, is merely a conduit for payment, in that the Bonds do not constitute a general debt, liability or obligation of the Issuer, but are instead secured by and payable solely from payments of the University under the Loan Agreement and by other security discussed herein. The Bonds are not being offered on the basis of the financial strength of the Issuer. The Issuer believes, therefore, that disclosure of any default related to a financing not involving the University or any person or entity related to the University would not be material to a reasonable investor. Accordingly, the Issuer has not taken affirmative steps to contact the various trustees of other conduit bond issues of the Issuer to determine the existence of prior defaults; however, the Issuer is not aware of the existence of any defaults with respect to bonds issued by it.

TAX MATTERS

General

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Issuer has covenanted in the Indenture and the Borrower has covenanted in the Loan Agreement to comply with such requirements in order to maintain the exclusion from federal gross income for federal income tax purposes of the interest on the Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the Bonds may be subject to the federal alternative minimum tax when any Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum

taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on the Bonds; (iii) the inclusion of interest on the Bonds in earnings of certain foreign corporations doing business in the United States for purposes of branch profits tax; (iv) the inclusion of interest on the Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on the Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer in the Indenture and the Borrower in the Loan Agreement, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Bonds and of the property financed thereby) and on the opinions being delivered by counsel to the Borrower in connection with the delivery of the Bonds with respect to the Borrower being an organization described in Section 501(c)(3) of the Code, without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE HOLDERS OF THE BONDS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Tax Treatment of Bond Premium

The difference between the principal amount of the Bonds (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

UNDERWRITING

The Bonds are being purchased by Morgan Stanley & Co. LLC (the "Underwriter") at a purchase price of \$54,199,824.21, representing the principal amount of the Bonds (\$46,355,000.00), plus original issue premium (\$7,980,668.45), less Underwriter's discount (\$135,844.24), subject to certain terms and conditions set forth in the purchase contract among the Issuer, the University and the Underwriter. The Bonds are offered for sale to the public at the prices set forth on the inside cover page of this Official Statement. The Bonds may be offered and sold to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the public offering prices, and following the initial public offering prices may be changed from time to time by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the University, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University.

Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC, in addition to other retail distribution channels. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to their respective allocations of the Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch") have assigned ratings of "A3" (stable outlook) and "A-" (stable outlook), respectively, to the Bonds. Any explanation of the significance of such ratings may be obtained only from such rating agency. The University has furnished to such rating agency certain information and materials, some of which have not been included in this Official Statement. Generally, a rating agency bases its rating on such information and materials and on investigations, studies and assumptions by the rating agency. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings may not be lowered or withdrawn entirely by the rating agency, if in its opinion or judgment, circumstances so warrant. Any reduction in or withdrawal of either of the ratings may have an adverse effect on the market price and marketability of the Bonds.

FINANCIAL STATEMENTS

The financial statements of the University as of June 30, 2016, and for the year then ended, included in APPENDIX B to this Official Statement, have been audited by BDO USA, LLP, independent auditors, as stated in their report thereon which appears in APPENDIX B.

CONTINGENT FEES

Payment of fees for services rendered by Bond Counsel, Issuer's Counsel and Underwriter's counsel relating to the authorization, sale, execution and delivery of the Bonds is contingent upon the issuance of the Bonds.

MISCELLANEOUS

The University has furnished all information in this Official Statement relating to the University. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and are not representations of fact.

The summaries or descriptions of provisions of the Bonds, the Loan Agreement, the Bond Indenture and the Master Indenture contained herein and in APPENDIX C, and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions of such documents. Reference is hereby made to such instruments, documents and other materials for the complete provisions thereof.

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

**VOLUSIA COUNTY EDUCATIONAL
FACILITIES AUTHORITY**

By: /s/ Sara Caldwell
Chairman

Approved:

**EMBRY-RIDDLE AERONAUTICAL
UNIVERSITY, INC.**

By: /s/ Randall B. Howard
Senior Vice President and
Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

Appendix A

Information Regarding Embry-Riddle Aeronautical University, Inc.

TABLE OF CONTENTS

General.....	A-1
History.....	A-1
Governance	A-2
Administration	A-3
Accreditation and Memberships	A-5
Academic Organization, Degrees and Fields of Study	A-6
General Purpose and Academic Facilities	A-8
Housing Facilities	A-10
2017 Project	A-11
Student Enrollment	A-13
Standardized Test Scores	A-14
Tuition, Fees, Room and Board	A-15
Competition.....	A-15
Student Financial Aid	A-16
Accounting Matters.....	A-17
Historical Operating Results	A-17
Investments and Net Assets	A-18
Administration’s Discussion of Recent Financial Performance	A-18
Fundraising	A-20
Outstanding Long-Term Debt.....	A-20
Faculty and Staff.....	A-20
Insurance	A-21
Litigation.....	A-22

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

General

Embry-Riddle Aeronautical University, Inc., a Florida not-for-profit corporation (the “University” or “Embry-Riddle”), is a co-educational institution of higher learning with residential campuses located in Daytona Beach, Florida (“Daytona Beach”) and Prescott, Arizona (“Prescott”). The University also operates a Worldwide campus (“Worldwide”) with more than 135 locations in the United States, Asia, Europe and the Middle East. Additionally, the University’s proprietary online platform, EagleVision, links students and faculty across the globe, enabling the development and delivery of learning whenever and wherever students and faculty reside.

As the largest and oldest aviation and aerospace-focused university in the world, Embry-Riddle is a unique institution. Over the past 90 years, the University has evolved with industry to break new ground and produce top-level graduates who serve the ever-changing needs of aviation and aerospace and other science, technology, engineering and mathematics (STEM) related disciplines. Embry-Riddle offers programs in seven primary fields of study including Applied Science, Aviation, Business, Computers and Technology, Engineering, Safety, Security and Intelligence and Space.

Over the past two years, the University has added innovative degree programs such as one of the nation’s first undergraduate program in Aerospace Physiology (Daytona Beach), a Bachelor of Science in Simulation Science, Games and Animation (Prescott) and a Bachelor of Science in Interdisciplinary Studies (Worldwide). Embry-Riddle attracts students from across the nation and the world.

History

The University was originally founded by T. Higby Embry and John Paul Riddle in Cincinnati, Ohio, in 1926, as the Embry-Riddle Company, to operate as an aircraft distributor for Waco Aircraft Company, provide airmail service for the U.S. Postal Service, and operate the Embry-Riddle Flying School. In 1932, co-founder John Paul Riddle relocated to Miami, Florida, where additional training centers were added to train mechanics as well as pilots. In 1959 the corporation reorganized as a not-for-profit education institution and changed its name to Embry-Riddle Aeronautical Institute, Inc. In 1970, the name changed to Embry-Riddle Aeronautical University.

In 1965, the University relocated to a 185-acre site in Daytona Beach, Florida, which remains host to Embry-Riddle’s largest residential student body. The Daytona Beach campus now includes more than 56 buildings (1,618,198 gross square feet), primarily comprised of advanced academic lab and classroom space, resident housing, and administrative facilities. The Daytona Beach campus also owns an off-campus student housing complex.

Since 1970, the University has also offered courses at satellite locations across the U.S. and Western Europe, often placed on military bases or in large cities, but serving both military and civilian students. The Worldwide campus has expanded to offer courses at more than 135 different locations in the U.S., Asia, Europe, and the Middle East.

In 1980, the University acquired a 511-acre site from a former liberal arts college and opened a second residential campus in Prescott, Arizona. The Prescott campus now includes 84 buildings (742,083 gross square feet) including academic, administrative and resident housing facilities.

Today, there are over 8,400 undergraduate, graduate and doctoral students who attend an Embry-Riddle residential campus, more than 31,000 students in total enrolled with Embry-Riddle around the globe, and over 124,000 alumni representing all 50 states and over 135 locations.

Governance

The University is governed by a Board of Trustees (“the Board”). The Board holds regular meetings twice a year.

The annual meeting for the purpose of electing trustees, officers and at-large members of the Executive Committee is the first regular meeting held after January 1 of each year. The Executive Committee consists of the Chair, Vice Chair and the chairpersons of the following committees: Academic, Audit, Committee on Trustees and Finance. In addition, two Trustees may be nominated by the Executive Committee and elected by the Board at the annual meeting to serve at-large on the committee. The standing committees in addition to the Executive Committee are the Academic, Audit, Committee on Trustees, Development, Facilities and Capital Planning, Finance, Flight Safety and Education, Investment, and Student Life.

The Board is composed of individuals of national, state and local prominence including current and past business owners, officers of Fortune 500 companies, astronauts and four-star generals. The following table sets forth the names of the current members of the Board:

Members of the Board	Affiliation
Mr. John Amore	Global General Insurance (Retired)
Mr. Kenneth Dufour	Aviation Management Consulting, Inc.
Mr. Charles Duva	DuvaSawko, Inc.
Mr. Jim W. Henderson, Vice-Chair	Assured Partners, Inc.
Mr. Mori Hosseini, Chair	Intervest Construction, Inc.
General Ronald Keys	USAF (Retired)
Mr. Joseph Martin, Treasurer	Fairchild Semiconductor International, Inc. (Retired)
Mr. David B. O’Maley	The Ohio National Life Insurance Companies (Retired)
Mr. Glenn Ritchey	Jon Hall Automotive Group
Mr. David Robertson	Robertson Racing
Mr. Jean Rosanvallon	Dassault Falcon Jet, Inc.
Mr. Zane Rowe, Secretary	VMware Corporation
Mr. Jon Slangerup	NexPhase Capital Partners
Ms. Nicole Stott	NASA Astronaut (Retired)

Administration

The administration of the University is responsible for the day-to-day management and operation of the University and implementing policies established by the Board. The principal officers of the University are as follows:

P. Barry Butler, Ph.D. became the sixth President of Embry-Riddle in March 2017. Prior to his appointment as President, Dr. Butler was Executive Vice President and Provost at the University of Iowa for 6 years where he previously served for 10 years as Dean of the College of Engineering, Associate Dean of Academic Programs and as Chair of the Department of Mechanical Engineering. Before entering administration in 1998, Dr. Butler served in a number of faculty governance roles, including as an elected member of the Engineering Faculty Council, University Faculty Senate and University Faculty Council. Dr. Butler earned his Bachelor's and Master's degrees in Aeronautical and Astronautical Engineering, and his Doctorate in Mechanical Engineering from the University of Illinois at Urbana-Champaign. Dr. Butler is active in a number of aerospace-related instructional and research activities. He has worked as a visiting research fellow for the U.S. Navy and Sandia National Laboratories and as a visiting faculty member at Université de Provence in Marseille, France. Throughout his career Dr. Butler has remained connected to teaching, having supervised 34 undergraduate research projects, advised or co-advised 18 master's students and 8 doctoral students and developed and taught 14 different engineering courses. Dr. Butler is a strong advocate for working with industry, community colleges and K-12 educators to promote STEM education. He currently serves on the boards of several state and national technology-based organizations committed to economic growth and the advancement of STEM education, including the American Wind Energy Association, for which he serves as research and development committee co-chair. Known for his research in the area of wind energy optimization and reactive flow analysis and modeling, Dr. Butler was also a member of the U.S. Department of Energy's advisory group tasked with developing a wind energy strategic vision for the next three decades. He also serves as a trustee and chair of the Committee on Trustees of the Herbert Hoover Presidential Library Association.

Randall B. Howard, Ph.D. is Senior Vice President and Chief Financial Officer. Dr. Howard joined the University in September 2014 and is responsible for the financial operations of the University including financial management, treasury, financial analysis and reporting, risk management, and capital planning. Prior to joining the University, Dr. Howard was the Vice President for Business Affairs and Treasurer at Ball State University. Dr. Howard spent 20 years in the U.S. Air Force where he held a variety of positions, including Chief Financial Officer of the U.S. Air Force Academy, Assistant Professor of Finance and Business Administration at the Naval Postgraduate School and Senior Financial Economist for the Deputy Assistant Secretary of the Air Force for Cost and Economics. Dr. Howard holds a Ph.D. in Finance from the University of Georgia, an M.S. in Operations Research from the Air Force Institute of Technology, and a B.S. in Chemistry and Mathematics from Birmingham-Southern College.

Other University senior-level administrators include:

Rodney Cruise is Senior Vice President for Administration and Planning. Mr. Cruise joined the University in March 2013. He provides leadership and direction for Institutional Efficiency and Facilities and Capital Planning departments at the University administration level. He also supports Plant Operations, Housing Operations and Campus Safety for the Daytona Beach Campus. Prior to joining Embry-Riddle, Mr. Cruise held a number of leadership positions with Sodexo; his last role was as Vice President of Business Development. Mr. Cruise currently serves on the Board of Directors of the Daytona Beach Area Chamber of Commerce.

Maj Mirmirani, Ph.D. is Interim Senior Vice President for Academic Affairs and Research and Dean, College of Engineering, Daytona Beach campus. Dr. Mirmirani joined the University in October 2007. In his role as Senior Vice President for Academic Affairs, he works with the Daytona, Prescott and Worldwide campuses in establishing and maintaining the quality of university-wide academic activities, ensuring accreditation compliance and sound academic policies and growth of research and research centers. As Dean of Engineering, he oversees all academic, instructional, and research matters for the College of Engineering. Prior to joining Embry-Riddle, Dr. Mirmirani was a professor of Mechanical Engineering and a department chair at California State University, Los Angeles. Dr. Mirmirani holds a M.S. and a Ph.D. in Mechanical Engineering from the University of California at Berkeley and a B.S. in Mechanical Engineering from Amir Kabir University in Tehran.

Frank Ayers, Ed.D. is the Chancellor for Embry-Riddle Aeronautical University, Prescott campus. Dr. Ayers joined the University in July 2000. He oversees a full range of academic, operational and professional activities and sets strategic direction for the Prescott campus. Prior to joining Embry-Riddle, Dr. Ayers was in the U.S. Air Force for 26 years, serving as a B-52 instructor pilot, commander of a B-52 Training Squadron, group commander and chief of Joint Military Education Policy at the Pentagon, among other assignments. Dr. Ayers received a B.A. in History from Virginia Polytechnic Institute, an M.S. in Aviation Management from Embry-Riddle and an Ed.D. from Nova Southeastern University.

Tim Brady, Ph.D. is the Interim Chancellor for Embry-Riddle Aeronautical University, Daytona Beach campus. Dr. Brady joined the University in July 1998. Dr. Brady has more than 30 years of experience in higher education, administration and teaching. Prior to joining the University, Dr. Brady spent 22 years in the U.S. Air Force as a pilot. After retiring from the Air Force in 1980, Dr. Brady served as the chair of the Aviation Department at Central Missouri State University and Dean of Institutional Advancement and External Programs at Parks College of St. Louis University. Dr. Brady holds a Ph.D. in Education from St. Louis University, an M.S. in Management from Abilene Christian University and a B.S. in Social Science from Troy State University.

John R. Watret, Ph.D. is Chancellor for Embry-Riddle Aeronautical University, Worldwide. Dr. Watret joined the University in August 1989 and provides academic and strategic leadership for Worldwide Headquarters and over 135 campus locations worldwide. Dr. Watret is active with organizations both nationally and internationally, serving as Chairman of the Board of Directors for Embry-Riddle Aeronautical University-Asia, Ltd. in Singapore; as an appointed board member for the University of Florida Online Campus; as an elected member for the Flight Safety Foundation Board of Governors; and, as a board member for Aerospace Alliance, Inc. He is also a Fellow of the Royal Aeronautical Society. Dr. Watret holds a Ph.D. and Master of Science in Mathematics, both from Texas A&M University, and a bachelor's degree from Heriot-Watt University in Edinburgh, Scotland.

Charlie Sevastos, J.D. is General Counsel and responsible for all legal matters affecting the University. Mr. Sevastos joined the University in May 2007. Prior to Embry-Riddle, Mr. Sevastos served as an attorney in both criminal and civil litigation. He held positions as an Assistant Public Defender and as trial counsel with the Florida Department of Transportation and the Florida Attorney General's Office. Mr. Sevastos received his B.A. from Rollins College, and his J.D. from the University of Florida, College of Law.

Ginger Pinholster is Interim Vice President of Marketing and Communications. Ms. Pinholster joined the University in February 2017. Prior to joining Embry-Riddle, she worked for the American Association for the Advancement of Science. Ms. Pinholster served in a variety of roles throughout her 16-year career with the Washington, D.C., organization and last served as Chief Communications Officer and Director of Public Programs. Ms. Pinholster holds a B.A. in English from Eckerd College in St. Petersburg, Florida and an M.F.A. in Fiction from Queens University of Charlotte, North Carolina.

Accreditation and Memberships

Embry-Riddle Aeronautical University, including Daytona Beach, Prescott and Worldwide, is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award degrees at the associate, baccalaureate, masters and doctorate levels.

At the Daytona Beach campus, the bachelor degree programs in Aerospace Engineering, Civil Engineering, Computer Engineering, Electrical Engineering, Engineering Physics, Mechanical Engineering and Software Engineering are accredited by the Engineering Accreditation Commission (EAC) of ABET. The bachelor degree program in Computer Science is accredited by the Computing Accreditation Commission (CAC) of ABET.

The Ph.D. degree program in Aviation, the master's degree program in Aeronautics, the bachelor degree programs in Aeronautical Science (Professional Pilot), Air Traffic Management, Meteorology, Operational Meteorology, Unmanned Aircraft Systems Science, Aerospace and Occupational Safety Aviation Business Administration, and the Aviation Maintenance Science programs (associate and bachelor degrees) including the concentration areas of Maintenance Management and Flight (in the bachelor degree) are accredited by the Aviation Accreditation Board International (AABI).

The bachelor degree programs in Business Administration, majors in Management, Marketing, and Accounting and Finance, the bachelor degree program in Aviation Business Administration, major in Air Transportation, and the Master of Business Administration program, including the Specialization in Aviation Management, are accredited by the Accreditation Council for Business Schools and Programs (ACBSP).

The certificate programs in Aviation Maintenance Technology (airframe, power plant, and airframe and power plant) are certified by the Federal Aviation Administration (FAA).

At the Prescott campus, the bachelor degree programs in Aerospace Engineering, Computer Engineering, Electrical Engineering, and Mechanical Engineering are accredited by the EAC of ABET. The bachelor degree programs in Aeronautical Science/Fixed Wing; select areas of concentration in Aviation Business Administration including Flight Operations/Fixed Wing, Management, Airport Management; and the master's degree in Safety Science are accredited by the AABI.

At both residential campuses, certificate programs in Flight (private, commercial, instrument, multi-engine, flight instructor and instrument flight instructor ratings) and Flight Dispatch are approved by the FAA.

At the Worldwide campus, the bachelor degree program in Aeronautics is accredited by the AABI.

The bachelor degree programs in Aviation Business Administration and in Technical Management, and the master's degree programs in Business Administration in Aviation and in Management are accredited by the ACBSP.

The master's degree program in Project Management is accredited by the Project Management Institute Global Accreditation Center for Project Management Education Programs (GAC).

The bachelor degree program in Emergency Services program is accredited by the International Fire Service Accreditation Congress (IFSAC), a programmatic accreditor of fire and emergency related degree programs. It is also recognized by the National Fire Academy in accordance with the standards established by the Fire and Emergency Services Higher Education model core curriculum under the U.S. Fire Administration.

The University is a full member of the Association of Independent Technological Universities, an invitation-only organization of leading private technological universities including institutions such as Carnegie Mellon University and Massachusetts Institute of Technology. The University is involved with many other educational associations, including the American Council on Education, College Board, the University Aviation Association, the National Association of Independent Colleges and Universities and the Independent Colleges and Universities of Florida.

Academic Organization, Degrees and Fields of Study

All campuses follow guidance on curriculum and academic standards prescribed by the Senior Vice President of Academic Affairs and Research. The following table presents a history of degrees conferred by the University for the five-year period beginning academic year 2011-12:

<u>Academic Year</u>	<u>Associate Degrees</u>	<u>Bachelor's Degrees</u>	<u>Master's Degrees</u>	<u>Doctorate Degrees</u>	<u>Total Degrees Conferred</u>
2011-12	514	3,208	2,014	-	5,736
2012-13	608	3,308	1,748	-	5,664
2013-14	647	2,961	1,722	8	5,338
2014-15	644	2,941	1,423	5	5,013
2015-16	570	2,935	1,384	3	4,892

The University holds the highest Level VI accreditation from its regional accreditor, SACSCOC, and offers a comprehensive collection of academic programs at the associate, baccalaureate, masters and doctorate levels including those listed below.

Undergraduate Degree Programs

Aeronautical Science	Forensic Accounting and Fraud Examination
Aeronautics	Forensic Biology
Aerospace and Occupational Safety	Forensic Psychology
Aerospace Engineering	Global Business
Aerospace Physiology	Global Conflict Studies
Air Traffic Management	Global Security and Intelligence Studies
Astronomy	Homeland Security
Astronomy and Astrophysics	Human Factors Psychology
Aviation Business Administration	Industrial Psychology and Safety
Aviation Maintenance	Interdisciplinary Studies
Aviation Security	Logistics and Supply Chain Management
Business Administration	Mechanical Engineering
Civil Engineering	Meteorology

Communication
Computational Mathematics
Computer Engineering
Computer Science
Cyber Intelligence and Security
Electrical Engineering
Emergency Services
Engineering
Engineering Fundamentals
Engineering Physics
Engineering Technology

Master's Degree Programs

Aeronautics
Aerospace Engineering
Aviation and Aerospace Sustainability
Aviation Finance
Aviation Maintenance
Business Administration
Business Administration in Aviation
Business Administration in Aviation
Management
Civil Engineering
Cybersecurity Engineering
Electrical and Computer Engineering
Engineering Management
Engineering Physics
Entrepreneurship in Technology
Human Factors

Doctoral Programs

Aerospace Engineering
Aviation
Aviation Business Administration
Electrical Engineering and Computer
Science

Project Management
Safety Management
Simulation Science, Games, and Animation
Software Engineering
Space Physics
Spaceflight Operations
Technical Management
Unmanned Aircraft Systems
Unmanned Aircraft Systems Science
Unmanned Systems Applications
Wildlife Science

Human Security and Resilience
Information Security and Assurance
Leadership
Logistics and Supply Chain Management
Management
Management Information Systems
Mechanical Engineering
Occupational Safety Management

Project Management
Safety Science
Security and Intelligence Studies
Software Engineering
Systems Engineering
Unmanned Systems
Unmanned and Autonomous Systems Engineering

General Purpose and Academic Facilities

Daytona Beach Campus

The Daytona Beach campus is located on 185 acres directly adjacent to the Daytona Beach International Airport. The campus is within an hour's drive of Jacksonville and Orlando, which are the first and fourth largest cities in the state, respectively. Also nearby is the Kennedy Space Center, a premier multi-user spaceport and launch site, and serving many leading organizations, including NASA and SpaceX, in the emerging commercial space industry.

The Daytona Beach campus utilizes well-equipped laboratories and intelligent classrooms facilities that support each area of study. The College of Arts and Sciences, a five-story building (containing approximately 140,000 square feet) completed in 2014 is currently the largest structure on campus, and home to the largest university based telescope in the state. In addition to laboratories and classroom space with the latest smart technology, the Academic Advancement Center provides tutoring to over 2,000 students a week.

The Hagedorn Aviation Complex, completed in 2011, consists of three buildings, the Flight Operations Center, the Flight Maintenance Hanger, and the Emil Buehler Aviation Maintenance and Sciences Building. The Flight Operations Center is the central hub for Daytona Beach's flight training operation which administers over 75,000 flight hours annually. It includes a supervisor tower which utilizes NextGen technology to monitor all Embry-Riddle aircraft operations, as well as dispatch, debriefing, office space for over 180 training professionals, and classroom space. The flight department operates 68 aircraft from the Hagedorn Complex and averages 300 flight activities per day, while maintaining a safety rate that is 10 times better than industry average in pilot training.

The Flight Maintenance Hanger facility is home to 28 maintenance professionals who average approximately 30,000 man hours per year of aircraft maintenance. The Emil Buehler Aviation Maintenance and Sciences Building primarily houses highly specialized laboratory space to allow for hands-on training with fully functional piston and turbine engines, as well as airframe components and electronics.

The 27,000 square foot Advanced Flight Simulation Center, adjacent to the Hagedorn Aviation Complex, is equipped with the most technologically advanced flight training devices available. Here, students spend over 20,000 hours per year perfecting flying proficiencies in 10 fixed flight simulators that are identically modeled after Embry-Riddle's private training fleet. Additionally, the Advanced Flight Simulation Center houses the only FAA-qualified Level-D CRJ-200 full-motion, full-flight simulator in use by a university in the U.S.

The 54,000 square foot College of Business building contains classrooms, seminar and conference rooms and computer labs and faculty offices. This facility is home to all the University's business majors including Accounting and Finance, Marketing and Business Administration, each with a global perspective.

The Lehman Engineering and Technology Center features laboratories and classrooms equipped with the latest in smart technology and research equipment to service Aerospace, Civil, Computer, Electrical, Mechanical and Software engineering degrees. The building has subsonic and supersonic wind tunnels, a smoke tunnel, as well as autonomous vehicle, structures, materials, aircraft design, and composite materials laboratories.

The John Paul Riddle Student Center was built in 1975, and has since been the social core of the Daytona Beach campus. It contains three full service restaurants with dining areas, a postal center, the campus bookstore, and various student service offices. As one of the oldest buildings on campus, the Student Center is inadequately sized for current and projected enrollments. Construction of a new Student Union Center, now under construction, will become the center of the Daytona Beach campus life when completed. The four-story, technology-rich building will house many student services, including the bookstore, a large multipurpose events center, social areas, Student Government Association (SGA) offices and several new dining options, including outdoor seating. The Center will house the new library, designed to be a flexible and interactive learning commons. Completion of the new 177,000 square foot facility is anticipated summer 2018. The cost of the project is expected to be approximately \$75.0 million (an increase from initial projections due to increased scope) and funded with \$30.0 million from bond proceeds (Series 2015B Bonds) and existing available funding of \$21.8 million from SGA facility fee revenue; \$8.0 million from a contractual payment with the food-service contractor and \$15.2 million from University resources.

The Tine W. Davis Fitness Center is a 13,000 square foot facility constructed in 2007 and is staffed by full-time nutrition and fitness experts. It offers the University community access to fitness equipment, daily fitness classes, locker room facilities and an Olympic size swimming pool.

The John Mica Engineering & Aerospace Innovation Complex (the “MicaPlex” or “Research Park”) is the cornerstone of the Embry-Riddle Research Park in Daytona Beach. This 51,300 square-foot, two-story modern facility opened in spring 2017 and presents a unique collaborative opportunity for business and the University community to develop, refine and bring new products and technological services to market. The MicaPlex houses 10 laboratories (Thermal Laboratory, Advanced Dynamics and Control Laboratory, Robotics and Autonomous Systems Laboratory, Circuits, Sensor, and Instrumentation Laboratory, Radar and Communications Laboratory, Space Technology Laboratory, Composites Laboratory, Materials Laboratory, Structures Laboratory, and the Computational Sciences Laboratory). The total cost of the MicaPlex was approximately \$19.0 million and was funded by \$9.0 million from the State of Florida, \$1.5 million from Volusia County, Florida, with the balance from University resources.

The first phase of the Research Park also includes construction of an 18,000 square-foot technologically advanced subsonic wind tunnel and test facility with cutting-edge instrumentation. The expected total cost of the project is approximately \$10.0 million and is being funded by \$5.0 million from the State of Florida, \$0.75 million from Volusia County, Florida, and \$4.25 million from University resources. Construction of this facility is expected to be completed in winter 2017.

Additional facilities include a multi-function auditorium and instructional media center, the ICI Center field house and fully-equipped fitness center; many recently constructed athletic fields; tennis, basketball, and racquetball courts; an interfaith chapel; and student health services and counseling center.

Prescott Campus

Located in a mile-high mountain setting, the University’s western residential campus is situated on 539 acres, about 100 miles north of Phoenix. The Prescott campus is comprised of 84 buildings containing 742,083 square feet of space.

A cutting-edge STEM Education Center, now under construction, will feature a variety of computing, simulation and robotics labs as well as a planetarium. The new construction has expanded and enhanced the Prescott campus with completion of the Hazy Library and Learning Center, Haas Interfaith Chapel, Robertson Aviation Safety Center and Archive, Dining Hall, Visitors Center,

Academic Complex, and Aerospace Experimentation and Fabrication Building. These buildings along with others foster an environment of hands-on learning in support of the University's academic mission. Labs include the NASA Space Research Lab, Meteorology, Unmanned Aircraft Systems, Air Traffic Control, Structural Dynamics and Testing, computer design, human factors, composites, wind tunnels, engines, physics, forensics, language labs, and an Aircraft Accident Investigation Lab. The STEM Education Center is scheduled to be completed in August 2017.

Other existing facilities that have been kept current and aligned to meet the changing needs of our programs and students include:

- Dining facilities on campus were recently expanded to include a “We Proudly Serve” Starbucks coffee shop located in the Hazy Library, World of Wings, located in the recently remodeled Student Union, a convenience store located in the Student Village Housing Complex, and Touch-N-Go dining at the Flight Line.
- The athletics complex has been renovated and expanded to incorporate 14,000 additional square feet of space. Improvements include the addition of a second gymnasium, new exercise and weight training facilities, locker facilities, trainer facilities and offices.
- The former Library has been transformed into a newly remodeled building to support the new College of Security and Intelligence. It now includes a Cyber Security Lab, Biology lab, Forensics Lab, Intelligence Operations Center, classrooms and faculty offices.

The Flight Training Center is located at nearby Prescott Love Field Municipal Airport and offers flight instruction through a modern, well-equipped fleet of both fixed wing aircraft and helicopters for the flight programs. The campus has a fleet of 26 instructional aircraft including single-engine Cessnas, twin-engine Diamonds, and an American Champion Decathlon. Robinson R22 and R44 helicopters are used in support of Prescott's helicopter program. Additionally, the Flight Training Center has multiple simulators for single and twin engine aircraft, a cross wind simulator, and cockpit training devices.

Housing Facilities

Daytona Beach Campus

An \$8.6 million renovation to the Student Village Housing Complex was completed in August 2015. This project included upgrades to the living facilities and associated mechanical systems and central utilities infrastructure improvements. This project was funded with University resources.

In fall of 2016 demand for on-campus housing continued to exceed availability; some students were turned away and some rooms that were programmed for two students were temporarily modified to accept three students. In January 2017 a new 145,000 square foot, 5-story, residence hall (650 beds) was completed. The cost of the facility was approximately \$28.0 million and was funded from proceeds of the Volusia County Educational Facility Authority Educational Facilities Revenue Bonds (Embry-Riddle Aeronautical University Project) Series 2015B (the “Series 2015B Bonds”).

There are currently 2,293 programmed beds on campus in various housing facilities, including the new residence hall placed into service the winter of 2017. The University anticipates continued high demand for on-campus housing at the Daytona Beach campus in the coming years driven primarily by growing enrollments and increased efforts to retain upperclass students as residents.

Prescott Campus

The residential complexes on the Prescott campus include the Mingus Mountain residence halls; the Thumb Butte Complex and the Village Complex. In fall 2016 a new 75,000 square foot, three-story, residence hall (256 beds) was completed. The cost of the facility was approximately \$17.5 million and was funded from Series 2015B Bond proceeds.

Combined, these facilities provide a total of 1,117 programmed beds. For the past several years demand exceeded availability; some students were turned away and some rooms programmed for two students were temporarily modified to accept three students. Off-campus housing is not very prevalent or convenient. Similar to the Daytona Beach campus, based on the recent trend of growing enrollment and an increased number of upperclassmen desiring to live on campus, the University anticipates continued high demand for on-campus housing at the Prescott campus in the coming years.

University Occupancy Trends

	<u>On-Campus Student Housing Occupancy</u>				
	<u>Fall 2012</u>	<u>Fall 2013</u>	<u>Fall 2014</u>	<u>Fall 2015</u>	<u>Fall 2016</u>
Daytona Beach	94%	94%	106%	103%	111%
Prescott	96%	105%	107%	107%	98%

Barring some minor exceptions (e.g., geographic proximity and living with parents or guardians), the University requires all first-year students to live on campus for their first academic year. Approximately 37% and 45% of the undergraduate population lives on campus at Daytona Beach and Prescott, respectively.

2017 Project

The proceeds of the Bonds will be loaned to the University and used, in part, to finance the cost of constructing and equipping new residence halls to be owned and operated by the University in Daytona Beach and Prescott (collectively, the “Project”).

The residence hall in Daytona Beach is expected to be five stories and 144,500 square feet with 328 finished beds. The residence hall will also include lounges, study rooms, laundry, a dining facility and will include shell space for approximately 284 additional beds (612 total beds). Construction is estimated to begin May 2018 and completed August 2019.

The University is considering various options for the design of the shell space including affinity housing for registered student organizations, athletic groups, and academic organizations to create their own living community around their particular needs and interests. Based on student housing demand and University plans, the shell space will be completed concurrent with or subsequent to the initial construction. The University plans to use operating reserves for the build-out of the shell space (approximately \$7.5 million).

The residence hall in Prescott is expected to be three stories and 72,000 square feet, with 280 beds. The residence hall will also have lounges, study rooms, a game room, a fitness room and laundry. Construction is estimated to begin August 2017 and completed August 2018.

The individual components of the Project are in varying stages of design and development. Certain infrastructure work has begun. Construction has not yet begun. Fixed price construction contracts have not been obtained for any portion of the Project. The estimated total budget for each of the projects (construction, furnishings/equipment, and soft costs) is shown below. It should be noted that the build out of the shell space (approximately \$7.5 million) is not a component of the Project and, when undertaken, will be funded by available University resources.

Daytona Beach Campus	
Residence Hall	\$24,500,000
Prescott Campus	
Residence Hall	\$17,500,000
	<u>\$42,000,000</u>

The University expects to fund the Project with Bond proceeds. The University may add, delete and modify projects and the application of Bond proceeds, consistent with applicable tax regulations. If the actual cost of the Project is less than the University's estimates, the Project may be expanded to include other equipment and capital improvements comprising part of the University's Master Plan.

Preliminary conceptual renderings that may change based on multiple factors for each of the projects are provided below.

New Residence Hall – Daytona Beach



New Residence Hall – Prescott



Student Enrollment

Although students may enroll in any semester, the fall semester is the largest entry class for new students at the Daytona Beach and Prescott campuses. The Worldwide campus offers 12 enrollment opportunity dates per year, offering a student the ultimate flexibility in enrollment timing and course scheduling.

The fall 2016 first-year retention rate for full-time bachelor's degree-seeking students was 80% for the Daytona Beach campus and 84% for the Prescott campus.

Total full-time equivalent (FTE) for the University is depicted below for undergraduate and graduate students for the current and previous fall terms.

	FTE Enrollment					5-Year Change
	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016	
<u>Daytona Beach</u>						
Undergraduate	4,372	4,514	4,806	5,068	5,223	19.5%
Graduate	521	530	510	470	507	-2.7%
Total FTEs	4,893	5,044	5,316	5,538	5,730	17.1%
<u>Prescott</u>						
Undergraduate	1,631	1,754	1,932	2,150	2,318	42.1%
Graduate	40	37	44	56	60	50.0%
Total FTEs	1,671	1,791	1,976	2,206	2,378	42.3%
<u>Worldwide Campus</u>						
Undergraduate	6,344	6,190	6,210	6,414	6,407	1.0%
Graduate	3,960	3,768	3,451	3,125	3,231	-18.4%
Total FTEs	10,304	9,958	9,661	9,539	9,638	-6.5%
Overall total FTEs	16,868	16,793	16,953	17,283	17,746	5.2%

The table below shows applications, acceptance, and matriculation rates for new undergraduate students for the University's two residential campuses entering for the fall term for the last five academic years.

Academic Year	Applied	Accepted	% Accepted	Enrolled	% Enrolled
2012-13	7,370	5,265	71.4%	1,686	32.0%
2013-14	7,168	5,179	72.3%	1,783	34.4%
2014-15	7,174	5,163	72.0%	2,071	40.1%
2015-16	7,965	5,461	68.6%	2,243	41.1%
2016-17	8,541	5,906	69.1%	2,272	38.5%

Standardized Test Scores

The following table shows, for the University's two residential campuses, average SAT and ACT scores for new first-time undergraduate students entering during the fall term for the academic years indicated.

Academic Year	SAT	ACT
2012-13	1120	25
2013-14	1124	25
2014-15	1129	25
2015-16	1129	25
2016-17	1137	26

Tuition, Fees, Room and Board

Embry-Riddle's tuition rate is set by the Board and is the result of a comprehensive budget planning and development process. The Board is presented with comparative data and benchmarking results when considering changes to tuition rates. The Board is then briefed on projected enrollment trends, fixed and variable expense growth, student debt levels, and a variety of other internal and external economic factors, all of which are discussed by the Board prior to final approval of tuition rates. Mandatory and optional fees are delegated to administration's discretion, but a similar process is followed by administration.

The Daytona Beach campus generates approximately 51% of the total tuition and fees revenues, the Worldwide campus approximately 27% and the Prescott campus approximately 22%.

The table below shows annual full-time (12 to 15 credit hours) student tuition and mandatory fees for the last four academic years and the fall 2017 academic year.

Academic Year	Residential Campuses		Worldwide Campus	
	Undergraduate Tuition & Fees	Graduate Tuition (per Credit Hour)	Undergraduate Tuition (Per Credit Hour)	Graduate Tuition (Per Credit Hour)
2013-14	\$31,334	\$1,255	\$260 - \$325	\$495 - \$545
2014-15	\$31,948	\$1,280	\$270 - \$335	\$510 - \$560
2015-16	\$33,218	\$1,331	\$280 - \$355	\$520 - \$600
2016-17	\$33,886	\$1,358	\$250 - \$365	\$530 - \$620
2017-18	\$34,822	\$1,392	\$250 - \$375	\$540 - \$640

Combined room and board costs for the past four academic years and the fall 2017 academic year are set forth below and represent average room costs and full board plans (based on required freshman meal plan).

Room and Board				
2013-14	2014-15	2015-16	2016-17	2017-18
\$9,550	\$9,850	\$10,262	\$10,828	\$11,100

Competition

The University's competition comes primarily from other top-ranked aviation and engineering programs. Surveys of entering freshmen reveal that roughly 21% of the University's students applied only to Embry-Riddle. Approximately 82% of students who apply, list Embry-Riddle as their first-choice institution. Based on University freshman surveys, 87% selected the University because of its academic reputation and 85% chose to attend because of the University's reputation with job placement for its graduates. Competition is national rather than regional and is further reflected in the diversity of the student body. Less than 31% of the student body of the residential campuses are from the respective home state, and over 14% of the students are from outside the U.S.

Benchmarking studies against the Association of Independent Technological Universities (AITU), of which the University is a member institution, indicates that Embry-Riddle's tuition and fees are highly competitive among its potential students. The results of the latest study are shown below, and indicate that the University has maintained competitive tuition and fee rates.

	Daytona Beach Campus and Comparison Group				
	Tuition and Fees				
	2011-12	2012-13	2013-14	2014-15	2015-16
Embry-Riddle Daytona Beach	\$29,852	\$30,720	\$31,334	\$31,948	\$33,218
AITU	\$37,559	\$39,251	\$40,877	\$42,503	\$44,043

Source: AITU and IPEDs

As reported on the Residential Embry-Riddle Alumni Survey, bachelor's degree recipients earn a 15% higher median starting salary than that reported by the National Association of Colleges and Employers (NACE) for full-time starting compensation. Similarly, when Embry-Riddle residential master's degree recipients are compared to NACE results, Embry-Riddle graduates earn a 17% higher median starting salary. Overall, 97% of recent Embry-Riddle residential graduates are employed or are continuing education within one year of graduation.

While national salary comparisons are not readily available for Embry-Riddle Worldwide, the Worldwide Embry-Riddle Alumni Survey results indicate that Embry-Riddle Worldwide master's degree recipients report a sizable increase over their peers from Embry-Riddle Worldwide that graduated with an undergraduate degree. The median salary for Embry-Riddle Worldwide master's degree recipients was \$84,500, an increase of more than 20% when compared to their undergraduate peers who reported median earnings of \$70,000. Overall, 95.5% of recent Embry-Riddle Worldwide graduates were employed or pursuing an advanced degree one year after graduation.

Student Financial Aid

The table below indicates sources of student financial aid at all three campuses. The Daytona Beach campus accounts for approximately 51% of financial assistance, the Prescott Campus, 20% and the Worldwide campus, 29%.

Aid Source	Student Financial Aid by Award Year				
	<i>(dollars in thousands)</i>				
	2011-12	2012-13	2013-14	2014-15	2015-16
Grants	\$ 70,283	\$ 85,703	\$ 90,122	\$ 92,730	\$ 93,002
Scholarships	39,896	31,527	39,420	49,643	67,149
Employment	6,599	6,688	7,037	7,908	7,832
Loans	124,118	118,772	121,491	122,273	125,306
Waiver and in-kind	7,483	8,229	9,795	9,001	9,856
Sponsors	47,392	50,465	51,094	43,252	54,173
Total	\$295,771	\$301,384	\$318,959	\$324,807	\$357,318

Accounting Matters

The University's financial statements as of, and for the fiscal year ended, June 30, 2016 are included as Appendix B to this Official Statement. The University's financial statements are presented in accordance with Accounting Standards Codification 958 (ASC 958), Not-For-Profit Entities, which requires the presentation of the statements of the University as a whole and with balances and transactions presented according to the existence or absence of donor-imposed restrictions. The University maintains its books in accordance with the principles of fund accounting, however it reports its financial statements by breaking down the existing fund balances into the three classifications of net assets required by ASC 958: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be internally designated for specific purposes by action of the Board of Trustees.

Temporarily restricted net assets are subject to donor-imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time.

Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments.

Historical Operating Results

As a matter of practice, the University implements annual operating budgets with projected expenditures plus debt service balanced by an equivalent or greater amount of projected revenues. Set forth in the table below is the University's unrestricted net operating surplus and operating surplus available for debt service for the time periods indicated.

	Fiscal Year Ending June 30 (dollars in thousands)				
	2012	2013	2014	2015	2016
Unrestricted operating revenue	\$319,004	\$328,511	\$342,215	\$342,679	\$367,530
<i>Less</i> unrestricted operating expense	<u>296,838</u>	<u>313,810</u>	<u>323,749</u>	<u>331,423</u>	<u>338,102</u>
Unrestricted operating surplus	\$ 22,166	\$ 14,701	\$ 18,466	\$ 11,256	\$ 29,428
<i>Plus</i> depreciation and interest expense	<u>30,860</u>	<u>32,207</u>	<u>34,067</u>	<u>36,441</u>	<u>36,804</u>
Unrestricted operating surplus available for debt service	<u>\$ 53,026</u>	<u>\$ 46,908</u>	<u>\$ 52,533</u>	<u>\$ 47,697</u>	<u>\$ 66,232</u>
 Total FTE student	 16,868	 16,793	 16,953	 17,283	 17,746
Net tuition and fee revenue	\$272,799	\$286,620	\$289,731	\$295,472	\$313,237
Net tuition and fee per FTE student	\$16,173	\$17,068	\$17,090	\$17,096	\$17,651

Investments and Net Assets

The market value of the University's investments for the periods indicated is summarized in the table below. Investments consist primarily of equity securities of a variety of domestic and international companies, bonds that consist primarily of U.S. government and corporate obligations and short-term investments that primarily consist of cash equivalents.

	Fiscal Year Ending June 30 (dollars in thousands)				
	2012	2013	2014	2015	2016
Donor-restricted endowment funds	\$ 23,070	\$ 27,469	\$ 32,500	\$ 35,352	\$ 35,118
Board-designated endowment funds	39,982	46,191	55,114	57,831	72,189
Other Investments	17,890	18,457	20,706	18,364	4,531
Total	<u>\$ 80,942</u>	<u>\$ 92,117</u>	<u>\$108,320</u>	<u>\$111,547</u>	<u>\$111,838</u>

As of June 30, 2017, the market value of the endowment was \$126.3 million (unaudited).

The table below provides the University's total net assets and expendable net assets for the period indicated.

	Fiscal Year Ending June 30 (dollars in thousands)				
	2012	2013	2014	2015	2016
Total net assets	\$287,047	\$313,789	\$348,333	\$366,467	\$391,864
less permanently restricted	17,371	19,297	20,344	23,023	23,694
less investment in plant	64,230	80,089	99,558	114,475	165,575
Expendable net assets	<u>\$205,446</u>	<u>\$214,403</u>	<u>\$228,431</u>	<u>228,969</u>	<u>202,595</u>
% of expendable net assets in cash and equivalents	59%	54%	53%	59%	61%

Administration's Discussion of Recent Financial Performance

Budget Process: The University's administration, led by the Senior Vice President and Chief Financial Officer, manage the budget process. The Budget Office provides staff support. During late summer, a tuition proposal for the following year is developed taking into, consideration a multitude of internal and external factors. The proposal is presented to the Finance Committee and Board at the fall meeting. After the tuition rate is established by the Board, a revenue budget is developed in early spring. Once the revenue budget has been established, the operating expense budget is built. The University has a solid record of producing positive margin and cash flow that provides financial stability and funds for strategic initiatives. Any strategic funding initiatives brought forward during the budget process are evaluated based on academic prioritization, student impact, and funds available. A budget is also established for capital investment in both new projects and ongoing repair and replacement projects. The proposed budget is presented to the Finance Committee and Board for approval at the spring meeting and becomes effective July 1.

Monitoring Performance: The campus budget offices and budget managers monitor the financial performance of operational areas on a daily basis. Administrators receive reports addressing performance to budget and any material deviations to plan on a monthly basis. At last twice annually, the Finance Committee and the Board are provided with detailed statements of performance to budget and pro-forma financial statements which are formally reviewed at their meetings. The Finance Committee, Facilities and Capital Planning Committee, and the Investment Committee regularly review their respective areas of the University's budget and financial performance.

The University operates with strong financial discipline, with a focus on maintaining strong positive operating margins. The University has consistently generated positive operating margins and positive operating cash flows since 2003, in varying economic and enrollment climates.

Total operating revenues have increased approximately 21.4% since fiscal year 2011, a 5-year compound annual growth rate of 4.0%. During this same period, the University has averaged a 5.3% operating margin by controlling expenses related to revenue growth.

Long-Term Investments: Funds held pursuant to the Bond Indenture are required to be invested in "Permitted Investments". Other funds of the University, however, are not required to be invested in "Permitted Investments". Such funds are invested according to policies developed by the University administration, endorsed by the Investment Committee of the Board (the "Investment Committee") and approved by the Board; these policies may be modified from time to time. The University's current investment policy (the "Investment Policy") targets an investment mix of 60% equities, 25% fixed income and 15% alternatives. Given the stated purpose of the endowment, the Investment Committee realizes the necessity of a long-term horizon when formulating investment policies and strategies. When evaluating the soundness of managers and strategies, the performance results of the endowment's various segments will generally be measured over a three- to five-year period. However, given the volatility of the capital markets, performance will be monitored on a quarterly basis as a means of identifying developing long-term trends. All investment results will be evaluated on a net total return basis (after all management fees and transaction related expenses). The specific objectives of the endowment are as follows:

- Earn an average annual rate of return that exceeds the consumer price index (CPI) by 4%.
- Earn an average annual rate of return that exceeds the return of the target benchmark indices set forth in the Investment Policy.
- In addition, it is expected that the long-term rate of return earned by the endowment portfolio (as well as manager segments) will rank above the median when compared to a representative universe of other, similarly managed portfolios.

Capital Expenditures: During the past five fiscal years, administration has continued to invest in plant assets and attend to the repair and replacement of buildings and equipment. Capital expenditures during each of the five fiscal years ending 2016 were as follows:

Fiscal Year	Capital Expenditures (dollars in thousands)
2012	\$41,573
2013	\$40,385
2014	\$45,246
2015	\$44,364
2016	\$82,851

Fundraising

In fiscal year 2016, the University raised over \$5.0 million in support of students, faculty, programs and facilities. Donors continued to direct their giving primarily to scholarships and fellowships, with nearly \$3.0 million dedicated to attracting and retaining the best students. In addition, donors contributed over \$0.9 million towards facility and equipment needs of the University. Over the past five fiscal years (2012-2016), donations to the University have totaled more than \$31.7 million including over \$4.6 million from alumni, \$14.8 million from friends, and \$12.3 million from corporations and foundations.

Outstanding Long-Term Debt

The table below sets forth the total long-term debt (including current maturities) immediately following the anticipated issuance of the Bonds.

	Final Maturity <i>(fiscal year end)</i>	Interest Rate	Principal Amount Outstanding <i>(dollars in thousands)</i>
Series 2013	2028	3.55%	20,315
Series 2015A	2031	2.91%	46,335
Series 2015B	2046	2.00%-5.00%	68,880
Series 2015C	2027	2.28%	24,935
Series 2017	2048	5.00%	46,355
Land - 501 S. Clyde Morris Blvd.	2026	2.87%	1,071
Aircraft – Banc of America Leasing Corp.		2.50%-3.03%	20,147
Total			<u>\$228,038</u>

Faculty and Staff

The University has approximately 510 full-time faculty, of which 31% have tenure. Part-time adjunct faculty members are employed as needed, primarily by the Worldwide campus and fluctuate throughout the academic year. In 2016, there was an average of 766 part-time faculty, of which 665 teach at the Worldwide campus.

Approximately 1,684 staff personnel are employed on a full-time basis and 90 on a part-time basis in a variety of support positions.

The University is a party to a collective bargaining agreement for flight instructors only. Other staff and faculty members are not subject to the collective bargaining agreement. There are no material employee relations issues outstanding, or to the knowledge of the University threatened against it, that would have a material adverse effect on daily operations.

Nearly all of the University's employees are covered by individually owned annuity contracts purchased from and administered by Teachers Insurance and Annuity Association (TIAA). Full-time employees are eligible for an employer contribution of 6% of an employee's annual compensation. The University will match up to an additional 3.5% if an employee chooses to contribute by payroll deduction. The University is not a party to, or liable for, any other employee retirement or pension guarantees.

Insurance

The University maintains comprehensive insurance coverage on its assets. Buildings, other real property and equipment are insured against all risks of direct physical loss, including windstorm and hail, on a replacement cost basis. Total insurable values for fiscal 2018 policy year are \$859,488,253 (including buildings, contents, electronic data processing equipment, simulators, fine arts, and business interruption).

Based on a review of potential losses, the University has elected to maintain coverage in the amount of \$300,000,000 per occurrence with a \$100,000 deductible. The Property policy has various sub limits and deductibles as discussed below:

- Per occurrence sub limits for specific items are: 1) \$3,246,373 fine arts (scheduled items); 2) \$7,565,232 simulators; 3) \$34,883,503 data processing equipment; and, 4) \$100,000,000 mechanical, electrical, pressure equipment (boiler and machinery) at residential campuses
- Per occurrence sub limits for specific risks or perils are: 1) \$10,000,000 flood (special hazard areas); 2) \$25,000,000 flood (other than special hazard areas); 3) \$25,000,000 earthquake; and, 4) \$25,000,000 ordinance or law (code upgrades)
- Property deductibles (per occurrence) are \$100,000 with the exception of the following: 1) 5% of total insured value per location for named storms subject to a minimum of \$1,000,000 and a maximum of \$7,500,000; 2) \$500,000 for floods within special flood hazard areas; and, 3) \$100,000 for earthquakes

Business interruption insurance is carried which protects the University against loss of income or extra expenses resulting from damage to real property and equipment. For the fiscal 2018 policy year business interruption insurance limits for all campuses combined are \$129,695,267. The waiting period/deductible for claims under this policy is three business days.

Losses from crime or the acts of dishonest employees are insured up to \$5,000,000 for employee dishonesty or forgery/alteration. The deductible under this policy is \$50,000.

Bodily injury and property damage liability coverage is provided under a comprehensive general liability policy with a limit of \$1,000,000 per occurrence and a \$3,000,000 annual aggregate limit applying separately to each insured location.

Educators legal liability is carried with a total limit of \$25,000,000 covering both directors and officers liability and employment practices liability. A \$100,000 retention per loss applies to this policy.

Fiduciary liability coverage is carried with a limit of \$20,000,000 with retention of \$0.

Excess (umbrella) liability coverage is carried in the amount of \$40,000,000 applying separately to each insured location.

The University also maintains comprehensive coverage in other areas like automobile, airport and aircraft liability, workers compensation, sponsor liability, foreign liability, security and privacy, and athletics.


Litigation

The University from time to time is a party to various legal proceedings incidental to its operations. In the opinion of management of the University, there is no litigation currently pending, or to the knowledge of the University threatened against it, that would result in a material adverse effect on the University's financial condition or operations.

Appendix B


Audited Financial Statements of the University for the Year Ended June 30, 2016

[THIS PAGE INTENTIONALLY LEFT BLANK]



Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Consolidated Financial Statements and
Supplemental Information
Years Ended June 30, 2016 and 2015



The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member
of BDO International Limited, a UK company limited by guarantee.



Embry-Riddle Aeronautical University, Inc. and Subsidiaries
Consolidated Financial Statements
and Supplemental Information

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Contents

Independent Auditor's Report	2-3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplemental Information	
Net Assets Class Disaggregation Schedule	32



Tel: 305-381-8000
Fax: 305-374-1135
www.bdo.com

Sabadell Financial Center
1111 Brickell Avenue, Suite 2801
Miami, FL 33131

Independent Auditor's Report

The Board of Trustees
Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Embry-Riddle Aeronautical University, Inc. and Subsidiaries as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Net Assets Class Disaggregation schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BDO USA, LLP

Miami, Florida
November 7, 2016

Certified Public Accountants

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Consolidated Statements of Financial Position (in Thousands)

<i>June 30,</i>	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 123,450	\$ 134,373
Investments (Note 2 and Note 11)	111,838	111,547
Accounts and notes receivable, less allowance for doubtful accounts of \$1,224 and \$1,250, respectively	9,263	9,296
Current portion of student loan receivables, net	1,784	2,041
Current portion of contributions receivable, net (Note 4)	669	667
Inventories	2,868	2,869
Prepaid expenses and other current assets	5,443	4,159
Total Current Assets	255,315	264,952
Deposits and investments with fiduciaries (Note 3)	79,749	83,015
Long-term accounts and notes receivables, net	36	15
Student loans receivable, less current portion and allowance for doubtful accounts of \$1,340 and \$1,048, respectively	10,363	10,745
Contributions receivable, net, less current portion (Note 4)	1,917	2,598
Land, land improvements, buildings and equipment, net (Note 5)	349,004	299,081
Other assets	2,348	1,819
Total Assets	\$ 698,732	\$ 662,225
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 37,058	\$ 30,973
Advances for student loans and financial aid	9,819	10,178
Student deposits and advance payments	7,626	9,098
Deferred revenue	24,671	20,633
Current portion of long-term debt (Note 6)	11,262	7,182
Total Current Liabilities	90,436	78,064
Long-term debt (Note 6)	216,432	217,694
Total Liabilities	306,868	295,758
Net Assets (Note 7)		
Unrestricted	347,829	322,731
Temporarily restricted	20,341	20,713
Permanently restricted	23,694	23,023
Total Net Assets	391,864	366,467
Total Liabilities and Net Assets	\$ 698,732	\$ 662,225

See accompanying notes to consolidated financial statements

Embry-Riddle Aeronautical University, Inc. and Subsidiaries
Consolidated Statements of Activities
(in Thousands)

<i>Year ended June 30, 2016</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating Activities				
Revenue and Other Additions				
Tuition	\$ 347,341	\$ -	\$ -	\$ 347,341
Less: Institutionally funded scholarships	(75,088)	-	-	(75,088)
Net tuition	272,253	-	-	272,253
Flight fees	28,075	-	-	28,075
Other fees	12,909	-	-	12,909
Grants and contracts	21,367	-	-	21,367
State appropriation	5,742	-	-	5,742
Private gifts	332	-	-	332
Sales and services-educational	225	-	-	225
Auxiliary enterprises	20,276	-	-	20,276
Other revenue	3,766	-	-	3,766
Investment earnings distributed	41	971	-	1,012
Total Operating Revenue and Other Additions	364,986	971	-	365,957
Net Assets Released from Restrictions	2,544	(2,544)	-	-
Total Operating Revenue and Other Additions	367,530	(1,573)	-	365,957
Expenses (Note 8)				
General academic instruction	130,529	-	-	130,529
Flight instruction	30,978	-	-	30,978
Research	16,432	-	-	16,432
Academic support	22,550	-	-	22,550
Student services	47,843	-	-	47,843
Institutional support	67,034	-	-	67,034
Scholarships	3,172	-	-	3,172
Auxiliary enterprises	19,564	-	-	19,564
Total Operating Expenses	338,102	-	-	338,102
Excess (Deficiency) from Operating Activities	29,428	(1,573)	-	27,855
Non-Operating Activities				
Private gifts	324	2,159	671	3,154
Net realized and unrealized loss				
in fair value of investments	(1,259)	(663)	-	(1,922)
Investment income	1,426	676	-	2,102
Distribution of prior year investment				
earnings for spending	(41)	(971)	-	(1,012)
Loss on extinguishment of debt	(3,340)	-	-	(3,340)
Other non-operating activities	(1,440)	-	-	(1,440)
Total Non-Operating Activities	(4,330)	1,201	671	(2,458)
Changes in Net Assets	25,098	(372)	671	25,397
Net Assets, beginning of year	322,731	20,713	23,023	366,467
Net Assets, end of year	\$ 347,829	\$ 20,341	\$ 23,694	\$ 391,864

See accompanying notes to consolidated financial statements

Embry-Riddle Aeronautical University, Inc. and Subsidiaries
Consolidated Statements of Activities
(in Thousands)

<i>Year ended June 30, 2015</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating Activities				
Revenue and Other Additions				
Tuition	\$ 320,226	\$ -	\$ -	\$ 320,226
Less: Institutionally funded scholarships	(63,621)	-	-	(63,621)
Net tuition	256,605	-	-	256,605
Flight fees	27,848	-	-	27,848
Other fees	11,019	-	-	11,019
Grants and contracts	17,207	-	-	17,207
State appropriation	2,235	-	-	2,235
Private gifts	361	-	-	361
Sales and services-educational	186	-	-	186
Auxiliary enterprises	19,873	-	-	19,873
Other revenue	5,103	-	-	5,103
Investment earnings distributed	45	896	-	941
Total Operating Revenue and Other Additions	340,482	896	-	341,378
Net Assets Released from Restrictions	2,197	(2,197)	-	-
Total Operating Revenue and Other Additions	342,679	(1,301)	-	341,378
Expenses (Note 8)				
General academic instruction	125,785	-	-	125,785
Flight instruction	31,242	-	-	31,242
Research	12,007	-	-	12,007
Academic support	22,096	-	-	22,096
Student Services	48,605	-	-	48,605
Institutional support	67,401	-	-	67,401
Scholarships	2,583	-	-	2,583
Auxiliary enterprises	21,704	-	-	21,704
Total Operating Expenses	331,423	-	-	331,423
Excess (Deficiency) from Operating activities	11,256	(1,301)	-	9,955
Non-Operating Activities				
Private gifts	74	1,993	2,679	4,746
Net realized and unrealized gains				
in fair value of investments	1,419	238	-	1,657
Investment income	1,604	810	-	2,414
Distribution of prior year investment earnings for spending	(45)	(896)	-	(941)
Gain on extinguishment of debt	303	-	-	303
Total Non-Operating Activities	3,355	2,145	2,679	8,179
Changes in Net Assets	14,611	844	2,679	18,134
Net Assets, beginning of year	308,120	19,869	20,344	348,333
Net Assets, end of year	\$ 322,731	\$ 20,713	\$ 23,023	\$ 366,467

See accompanying notes to consolidated financial statements

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (in Thousands)

<i>Year ended June 30,</i>	2016	2015
Cash Flows From Operating Activities		
Changes in net assets	\$ 25,397	\$ 18,134
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	31,723	29,440
Amortization	495	200
Loss (gain) on sale of equipment	1,425	(184)
Loss (gain) on extinguishment of debt	3,340	(303)
Equipment acquired through gifts	(324)	(74)
Contributions restricted for long-term investment	(1,153)	(3,109)
Changes in operating assets and liabilities:		
Accounts and notes receivable	12	691
Contributions receivable	679	(397)
Inventories	1	39
Prepaid expenses and other assets	(1,813)	4,463
Accounts payable and accrued expenses	6,085	2,953
Advances for student loans and financial aid	(359)	201
Student deposits and advance payments	(1,472)	726
Deferred revenue	4,038	509
Net cash provided by operating activities	68,074	53,289
Cash Flows From Investing Activities		
Sale of investments	60,301	77,153
Purchase of investments	(60,592)	(80,380)
Principal received on student loans receivable	2,423	2,121
Loans made to students	(1,784)	(2,312)
Proceeds from sale of land, land improvements, buildings, and equipment	103	308
Capital expenditures	(82,851)	(44,364)
Net cash used in investing activities	(82,400)	(47,474)
Cash Flows From Financing Activities		
Long-term debt proceeds	41,728	136,546
Principal payments on long-term debt	(42,574)	(62,220)
Payment of bond issuance costs	(170)	(1,015)
Decrease (increase) in deposits and investments with fiduciaries	3,266	(68,165)
Proceeds from contributions restricted for:		
Investment in endowment	671	2,679
Investment in plant	482	430
Net cash provided by financing activities	3,403	8,255
Change in Cash and Cash Equivalents	(10,923)	14,070
Cash and Cash Equivalents, beginning of year	134,373	120,303
Cash and Cash Equivalents, end of year	\$ 123,450	\$ 134,373
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 6,370	\$ 9,312

See accompanying notes to consolidated financial statements

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

General

Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the University), is an independent, not-for-profit culturally diverse institution providing quality education and research in aviation, aerospace, engineering, and related fields leading to associate's, baccalaureate's, master's and doctoral degrees. These programs are offered in a traditional setting at two residential campuses in Daytona Beach, Florida and Prescott, Arizona; the Worldwide campus provides instruction through more than 135 locations in the United States, Canada, Europe and Asia, and through online learning. The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS). The accreditation of the University includes all its units, wherever located. Through a strict evaluation process, the bachelor degree programs in Aerospace Engineering, Computer Engineering, and Electrical Engineering at both the Daytona Beach and Prescott campuses have been accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET). Other ABET-accredited programs at the Daytona Beach campus include bachelor degree curricula in Civil Engineering, Mechanical Engineering, Software Engineering, and Engineering Physics. Daytona Beach business programs are accredited by the Association of Collegiate Business Schools and Programs (ACBSP) and the Council of Aviation Accreditation (CAA).

Basis of Presentation

The consolidated financial statements of the University have been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) in the United States. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the source of authoritative GAAP. Revenues are recorded when earned and realized/realizable. Expenses are recorded when materials are received or services are provided. Expenses incurred at fiscal year-end have been accrued, and expenses applicable to future periods have been deferred. Revenues of an academic term, such as a summer session, which is conducted over a fiscal year-end, are reported when earned.

Net assets are classified into the following three separate categories as reflected in the accompanying consolidating financial statements:

- *Unrestricted* - Net assets that are free of external restrictions; all revenues, gains, and losses that are not changes in permanently or temporarily restricted net assets. This category includes investment returns on funds functioning as endowment (Board designated).
- *Temporarily Restricted* - Net assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of the University pursuant to those stipulations. Temporarily restricted net assets consist primarily of scholarship funds and funds donated to be applied to construction of new facilities.
- *Permanently Restricted* - Net assets whose use by the University is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University. Permanently restricted net assets consist primarily of endowed scholarship funds.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Changes in each category are reflected in the consolidated statements of activities, certain changes of which are further categorized as non-operating. Such activities primarily reflect transactions of a long-term investment or capital nature, including contributions receivable in future periods, contributions subject to donor-imposed restrictions, and gains and losses on investments in excess of the University's spending rule not specifically restricted for use by donors.

Endowment Net Asset Classification

ASC 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for all Endowment Funds*, provides guidance on classifying net assets of donor restricted and board-designated endowment funds held by organizations as to whether or not they are subject to an enacted version of UPMIFA. The State of Florida adopted UPMIFA effective beginning fiscal year 2013. Refer to Note 13.

Principles of Consolidation

The consolidated financial statements include the assets, liabilities, revenues, and expenses of all significant subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation. The University's wholly-owned subsidiary, Embry-Riddle Aeronautical University, Asia Ltd. (the "Company") is a company limited by guarantee and incorporated in Singapore. The principal activities of the Company are to provide teaching and research in the area of aeronautics and aerospace to tertiary institutions, regulatory agencies, and airlines.

Translation of Accounts of Foreign Subsidiaries

Accounts of foreign subsidiaries are translated into U.S. dollars using the temporal method as follows:

- monetary assets and liabilities at the year-end rate of exchange
- nonmonetary assets, liabilities, and capital stock at historical rates of exchange
- revenue and expenses at average rates for the year, except for amortization, which is translated at exchange rates used in the translation of the relevant asset accounts

All gains and losses arising from the translation of foreign currencies are included in the accompanying consolidated statements of activities.

Cash and Cash Equivalents

The University considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents. Securities and cash and cash equivalents maintained by the University's investment managers as part of the long-term investment portfolios are included in investments in the accompanying statements of financial position.

Investments and Deposits with Fiduciaries

Investments and deposits with fiduciaries are recorded at their estimated fair value. Donated investments received by gift are recorded at estimated fair value at the date of acquisition. Net realized or unrealized gains and losses on investments are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is restricted by donor-imposed stipulations.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Investment income is reported in the period earned as increases in unrestricted net assets unless the use of the assets, from which the income is derived, is limited by donor-imposed restrictions. Gains and losses on investments of a donor-restricted endowment fund are included as changes in temporarily restricted net assets.

Deposits with fiduciaries held in trust to be used for specified purposes as required by related debt covenants, as well as the interest earned on the deposits, are all classified as unrestricted.

Revenues and Student Accounts Receivable

Student tuition and related fees are recognized as revenue in the fiscal year in which they are earned. Registration deposits, housing deposits, and other advance payments related to future academic terms are recorded as unearned tuition and flight fees until earned by the University and presented as deferred revenue in the accompanying consolidated statements of financial position.

The allowance for accounts receivable is calculated on historical reserve percentages established for the various aging categories.

Student Loans Receivable

The University participates in the Federal Perkins Loan Program (Program) and makes uncollateralized loans to students based on financial need as determined by Program eligibility requirements. Refer to Note 7.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions to be received after one year are discounted at an approximate 4% discount rate commensurate as to reflect the fair value at the date of the gift. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Refer to Note 4.

Inventories

Inventories, consisting of books, simulator parts, and flight line parts, are stated using either the lower of cost (determined on the first-in, first-out method) or estimated market value (specific identification or average cost methods) based on the type of inventory item, and, in some cases, Federal Aviation Administration (FAA) requirements.

Land, Land Improvements, Buildings and Equipment and Depreciation Expense

The University's capitalization policy is \$5,000 or greater per item or \$30,000 or greater for an aggregate purchase of similar items with an estimated useful life of more than one year. Land, land improvements, buildings, and equipment are stated at cost as of the date of acquisition (estimated fair value when received as a gift).

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Interest associated with land, land improvements, buildings, and equipment additions, if material, is capitalized from the date of the borrowing until assets are ready for their intended use. Interest of approximately \$5,081,000 and \$7,001,000, was expensed for the years ended June 30, 2016 and 2015, respectively. The University incurred approximately \$2,508,000 and \$337,000 of capitalized interest for the years ended June 30, 2016 and 2015, respectively.

Depreciation and amortization expense for assets recorded under capital leases, which are included within depreciation expense, are calculated using the straight-line method over the following estimated useful lives (or lease term if shorter):

	<i>Useful Lives</i>
Land improvements	7 years
Buildings	5-30 years
Equipment	2-10 years

For reporting purposes, land, land improvements, buildings, and equipment are included in unrestricted net assets, whether purchased with temporarily restricted or unrestricted funds.

Where temporarily restricted funds are used, such amounts are reported as a transfer from restricted net assets to unrestricted net assets when the assets are placed into service.

Deferred Revenue

The University has approximately \$21.8 million in deferred revenue recorded as of June 30, 2016 related to student facility fees collected for the construction of a new student union at the Daytona Beach campus. As of June 30, 2016, the University has commenced construction of the new student union and will recognize the revenue ratably over the estimated construction period, which is expected to be completed in June 2018.

Unamortized Bond Issuance Costs

Costs incurred in connection with bond issuances are being amortized on the effective-yield method over the lives of the respective bond issues. Amortization expense for the years ended June 30, 2016 and 2015, was approximately \$494,000 and \$200,000, respectively.

Federal and State Income Taxes

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The University recognizes the effects of income tax provisions only if those positions are more likely than not of being sustained. The University evaluates, on an annual basis, the effects of any uncertain tax positions on its consolidated financial statements. As of June 30, 2016 and 2015, the University has not identified or provided for any such positions. However, the University is still open to examination by taxing authorities from fiscal year 2013 forward. The income tax consequences, if any, are reflected in the financial statements, and do not have a material effect on the University's consolidated financial statements.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Concentration of Risks

Financial instruments, which potentially subject the University to significant concentrations of credit risk, consist principally of cash and cash equivalents, and investments. The University maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The University has not experienced any losses in such account. The University believes it is not exposed to any significant credit risk on cash and cash equivalents.

The University invests in a variety of publicly traded investment vehicles, including common stocks, government and money market funds totaling approximately \$111,838,000 and \$111,547,000 as of June 30, 2016 and 2015, respectively. Management seeks to mitigate risks inherent in the University's investment portfolio by investing primarily in highly-rated financial instruments and through regular monitoring of the University's investment portfolio.

Auxiliary Enterprise Operations

Auxiliary enterprise operations consist primarily of student housing, dining services, book sales, and student center services.

Fair Value of Financial Instruments

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable, grants receivable, other receivables, accounts payables, and deposits held in custody for others approximate fair value because of the short-term maturity of these financial instruments. The carrying amounts of contributions receivable are recorded using the applicable discount rate in effect at June 30.

A reasonable estimate of the fair value of receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not marketable and can only be assigned to the U.S. government or its designee. The fair value of receivables under institutional loan programs approximates carrying value.

The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates that approximate current market rates for notes with similar maturities and credit quality.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results.

Investments are reported at fair value and net asset value (NAV) and are included in Note 12.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Fund Raising

Revenues from special fund raising events, and the related expenses incurred in generating such revenues are recorded in the accompanying consolidated statements of activities.

Advertising Expense

The University expenses advertising costs as incurred. Advertising expenses totaled approximately \$1,930,000 and \$3,198,000 for the years ended June 30, 2016 and 2015, respectively.

Accounting Pronouncements

During the year ended June 30, 2016, the University adopted the provisions of ASU No. 2015-03, *Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Accordingly, long-term debt originally stated at \$228,475,000 in the June 30, 2015 statement of financial position has been restated to \$224,876,000 to reflect \$3,599,000 of unamortized issuance costs previously included in non-current assets. The adoption of ASU 2015-03 did not have a material impact on the University's net assets, statement of activities, or cash flows for the fiscal years ended June 30, 2016 or 2015. Unamortized bond issuance costs are presented in Note 6 to the consolidated financial statements.

During the year ended June 30, 2016, the University adopted the provisions of ASU No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirements to categorize within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at net asset value (NAV) as a practical expedient to estimate fair value. The ASU also requires that any NAV-measured investments excluded from the fair value hierarchy table be summarized as an adjustment to the table so that total investments can be reconciled to the statement of financial position. The adoption resulted only in changes to the University's investment disclosures, and is included in the fair value hierarchy tables in Note 12 to the consolidated financial statements.

Reclassifications

Certain 2015 financial information has been reclassified to conform to the 2016 presentation. There was no impact in net assets or any net assets balances as a result of the reclassification.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

2. Investments

Investments at June 30 were as follows:

	2016	2015
	<i>(in thousands)</i>	
Garcia Hamilton Fund	\$ 13,419	\$ 13,481
Boston Partners All Cap Fund	12,722	-
The London Company Portfolio	11,474	-
iShares Russell 1000 Growth ETF	10,675	-
iShares Russell 2000 Growth	6,365	-
Principal Diversified	6,197	-
Principal Enhanced Property Fund LP	5,759	-
American Funds EuroPacific Growth Fund	5,305	5,873
Deutsche X-Trackers MSCI Fund	4,896	-
Templeton Foreign Fund	4,571	5,308
Angel Oak Multi Strategy Fund	3,660	-
Guggenheim Floating Rate Fund	3,660	-
Templeton Global Total Return Fund	3,315	7,212
Fuller & Thaler Portfolio	3,116	-
Chartwell Investments	3,116	-
Guggenheim Total Return Fund	3,002	-
Oberweis Intl Fund	2,761	-
Ironwood International Ltd.	2,753	2,845
Permal Institutional Ltd.	2,640	2,777
Aberdeen Emerging Fund	1,804	-
Commonfund Intermediate Fund	401	394
Federated Security Money Fund	111	-
Retirement Forfeiture - TIAA/CREF	95	2
Coastal Access Ltd.	21	31
Brown Advisory Growth Equity Fund	-	11,453
American Funds Fundamental Investors Fund	-	11,325
Vanguard Institutional Index Fund	-	11,090
Westwood Income Opportunity Fund	-	9,854
Wells Cap Discovery Growth	-	9,375
Ridge Worth Small Capital Value Equity	-	8,170
PIMCO Diversified Fund	-	7,390
Vanguard Total International Stock Fund	-	4,902
Salem Trust Money Fund	-	65
Total investments	\$ 111,838	\$ 111,547

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Investment earnings and gains (losses) derived from investments and deposits with fiduciaries for the years ended June 30 were as follows:

	2016	2015
	<i>(in thousands)</i>	
Investment income	\$ 2,102	\$ 2,414
Net realized and unrealized (losses) gains	(1,922)	1,657
Net total	\$ 180	\$ 4,071

3. Deposits and Investments with Fiduciaries

Deposits and investments with fiduciaries include construction funds, debt service reserve funds, and expense funds as required by debt agreements and consist of money market accounts. As of June 30, 2016 and 2015, the balance of deposits and investments with fiduciaries was approximately \$79,749,000 and \$83,015,000, respectively.

4. Contributions Receivable

Contributions receivable at June 30 were as follows:

	2016	2015
	<i>(in thousands)</i>	
Unconditional Promises Expected to be Collected in:		
Less than one year	\$ 689	\$ 683
One year to five years	2,274	3,063
More than five years	15	15
Total contributions receivable	2,978	3,761
Less		
Unamortized discount (4.3% discount rate)	269	308
Allowance for uncollectible pledges	123	188
Contributions receivable, net	\$ 2,586	\$ 3,265

Contributions receivable are reported in the accompanying consolidated statements of financial position as follows at June 30:

	2016	2015
	<i>(in thousands)</i>	
Current portion	\$ 669	\$ 667
Long-term portion	1,917	2,598
Contributions receivable, net	\$ 2,586	\$ 3,265

The contributions receivable balance as of June 30, 2016 contains pledges by four donors totaling approximately \$2,065,000. This amount represents approximately 69% of the gross contributions receivable balance.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

5. Land, Land Improvements, Buildings and Equipment

Land, land improvements, buildings and equipment consisted of the following at June 30:

	2016	2015
	<i>(in thousands)</i>	
Land and land improvements	\$ 53,451	\$ 50,624
Buildings	377,566	353,322
Equipment	196,253	169,014
Constructions-in-progress	40,396	19,635
Less accumulated depreciation and amortization	(318,662)	(293,514)
Land, land improvements, buildings, and equipment, net	\$ 349,004	\$ 299,081

Assets under capital leases, which are included in land, land improvements and equipment, at June 30 were as follows:

	2016	2015
	<i>(in thousands)</i>	
Land	\$ 1,057	\$ 1,057
Aircraft	27,139	11,723
Less accumulated amortization	(1,407)	(747)
Asset under capital leases, net	\$ 26,789	\$ 12,033

The following is a schedule of future minimum lease payments (for the next five years and thereafter) under capital leases as of June 30, 2016 (in thousands):

Year ending, June 30	Amount
2017	\$ 4,213
2018	4,290
2019	4,290
2020	4,290
2021	4,290
Thereafter	4,557
Total minimum lease payments	25,930
Less amounts representing interest	(2,479)
Net minimum lease payments	\$ 23,451

The net minimum lease payments are reflected in the June 30, 2016 consolidated statement of financial position as current and noncurrent long-term debt of \$2,921,000 and \$20,530,000, respectively.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

In March 2000, the University entered into a multiparty real estate transaction. Under the terms of the transaction, the University deeded title to a building with a book value of approximately \$1,600,000 to another party to the transaction. In exchange for the deeding of the building, the University acquired a building and entered into an agreement as assignee of the lease for the land upon which the acquired building is located. Under the terms of the land lease, which expires in May 2026, the University has the option to pay \$100,000 and acquire title to the land. As a result of the transaction, the University recorded land under a capital lease of approximately \$1,200,000, along with a capital lease obligation for approximately \$850,000. In July 2006, in accordance with the lease agreement, the land value was reappraised resulting in the increase of the asset and liability by approximately \$1,441,000 each. In July 2012, the reappraisal resulted in the decrease of the asset and liability by approximately \$1,628,000 each.

The University has commitments on existing construction-in-progress projects totaling approximately \$20,097,000 as of June 30, 2016.

6. Long-Term Debt

Long-term debt consists of the following at June 30:

	Interest Rate	Fiscal years of maturity	Principal Outstanding at June 30, 2016	Principal Outstanding at June 30, 2015	Reference to Note 6 (1)-(6) Below
<i>(in thousands)</i>					
Capital Lease Obligations					
Land - 501 S. Clyde Morris Blvd.	5.72%	2026	\$ 766	\$ 858	(1)
Aircraft - Banc of America Leasing Corp.	2.28%-6.48%		22,685	10,071	(5)
			23,451	10,929	
Bonds Payable					
Volusia County Educational Facilities Revenue Bonds:					
Series 2005	2.85%-5.00%	2035	-	31,560	(2)
Series 2011	2.00%-5.25%	2029	33,240	35,765	(3)
Series 2013	3.55%	2027	21,324	22,298	(4)
Series 2015A	2.91%	2035	48,985	50,740	(6)
Series 2015B	2.00%-5.00%	2045	69,195	69,195	(7)
Series 2015C	2.28%	2026	26,535	-	(8)
Total Principal Debt			199,279	209,558	
Unamortized Premium - Series 2005			-	873	(2)
Unamortized Discount - Series 2011			83	56	(3)
Unamortized Premium - Series 2015B			6,650	7,059	(7)
			206,012	217,546	
Less: Bond Issuance Costs					
Issuance Costs - Series 2005			-	1,523	(2)
Issuance Costs - Series 2011			808	895	(3)
Issuance Costs - Series 2013			(1)	176	(4)
Issuance Costs - Series 2015A			228	218	(6)
Issuance Costs - Series 2015B			645	787	(7)
Issuance Costs - Series 2015C			89	-	(8)
Total Long-Term Debt			227,694	224,876	
Current Portion			11,262	7,182	
Long-Term Portion			\$ 216,432	\$ 217,694	

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

- (1) The University entered into a capital lease obligation with Volusia County for land leased in the amount of \$2,157,000. The lease was entered into as part of a multiparty real estate transaction whereby the University exchanged a building with a book value of approximately \$1,600,000, for a building located on the land under lease, along with the assumption of the land lease (see Note 5).
- (2) The Series 2005 bonds were issued to fund various construction and renovation projects on the Daytona Beach and Prescott campuses and to refund all of Volusia County Educational Facilities Authority's (VCEFA's) outstanding Series 1996A bonds. The bonds were issued under an agreement whereby the VCEFA issued and sold revenue bonds in the original amount of \$101,385,000 and loaned the proceeds to the University. The bonds were issued at a premium of approximately \$3,159,000. The effective interest rate of the bond issue is 4.98%. The loan agreement contains various restrictive covenants, including annual bond coverage and additional bond tests. As additional security for the payments of the amounts due from the University and the performance by the University of its other obligations under the loan agreement and its obligations to holders of the Series 1999 bonds, the Series 2003 bonds, the bonds and holders of additional indebtedness, the University has granted a mortgage lien upon and security interest in the mortgaged property (land, buildings, and fixtures located on the University's Daytona Beach campus) to the Trustee. The Series 2005 bonds relating to the new funding of the issue were partially refunded as a result of the issuance of Series 2015A bonds on February 12, 2015. The balance of the remaining Series 2005 bonds were refunded as a result of the issuance of the Series 2015C bonds on July 17, 2015.
- (3) The Series 2011 bonds were issued to refund all of the Volusia County Educational Facilities Authority's (VCEFA's) outstanding Series 1999A and 1999B bonds. This refunding transaction was accounted for as a modification of debt. The bonds were issued under an agreement whereby the VCEFA issued and sold revenue bonds in the original amount of \$41,855,000 and loaned the proceeds to the University. In accordance with generally accepted accounting principles (GAAP), under a debt modification, the unamortized discount on the 1999A and 1999B bonds of approximately \$388,000 was carried forward to the Series 2011 bonds. The balance of the discount was approximately \$83,000 at June 30, 2016. The effective interest rate of the bond issue is 4.82%. The loan agreement contains various restrictive covenants, including annual bond coverage and additional bond tests. As additional security for the payments of the amounts due from the University and the performance by the University of its other obligations under the loan agreement and its obligations to holders of the Series 2003 bonds, the Series 2005 bonds, the bonds and holders of additional indebtedness, the University has granted a mortgage lien upon and security interest in the mortgaged property (land, buildings, and fixtures located on the University's Daytona Beach campus) to the Trustee.
- (4) The Series 2013 bonds were issued to refund all of the Volusia County Educational Facilities Authority's (VCEFA's) outstanding Series 2003 bonds. The bonds were issued under an agreement whereby the VCEFA issued and sold revenue bonds in the original amount of \$25,820,000 and loaned the proceeds to the University to extinguish the Series 2003 bonds. This transaction was accounted for as an extinguishment of debt. The remaining 2003 deferred financing fees and other costs were recorded as a loss on extinguishment of debt.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Series 2013 bonds were issued at par. The effective interest rate of the bond issue is 3.55%. The loan agreement contains various restrictive covenants, including annual bond coverage and additional bond tests. As additional security for the payments of the amounts due from the University and the performance by the University of its other obligations under the loan agreement and its obligations to holders of the Series 2005 bonds, the Series 2011 bonds, the bonds and holders of additional indebtedness, the University has granted a mortgage lien upon and security interest in the mortgaged property (land, buildings, and fixtures located on the University's Daytona Beach campus) to the Trustee.

- (5) The University entered into a capital lease obligation with Banc of America Leasing Corp. for 5 Piper PA28R, 8 Diamond DA42, and 57 Cessna 172S aircraft leased in the amount of \$26,711,000. Under the terms of the aircraft lease, which expires July 2023, the University has the option to pay \$1 and acquire title to the aircraft. As a result of the transaction, the University recorded the aircraft under capital lease obligations of approximately \$27,139,000 (see Note 5).
- (6) The Series 2015A bonds were issued to partially refund the Volusia County Educational Facilities Authority's (VCEFA's) outstanding Series 2005 bonds. The bonds were issued under an agreement whereby the VCEFA issued and sold revenue bonds in the original amount of \$50,740,000 and loaned the proceeds to the University to extinguish a portion of the Series 2005 bonds. This transaction was accounted for as an extinguishment of debt. The associated remaining 2005 deferred financing fees and other costs were recorded as a gain on extinguishment of debt. The Series 2015A bonds were issued at par. The effective interest rate of the bond issue is 2.91%. The loan agreement contains various restrictive covenants, including annual bond coverage and additional bond tests. As additional security for the payments of the amounts due from the University and the performance by the University of its other obligations under the loan agreement and its obligations to holders of the Series 2005 bonds, the Series 2011 bonds, the Series 2013 bonds, the bonds and holders of additional indebtedness, the University has granted a mortgage lien upon and security interest in the mortgaged property (land, buildings, and fixtures located on the University's Daytona Beach campus) to the Trustee.
- (7) The Series 2015B bonds were issued to fund various construction projects on the Daytona Beach and Prescott campuses. The bonds were issued under an agreement whereby the Volusia County Educational Facilities Authority issued and sold revenue bonds in the original amount of \$69,195,000 and loaned the proceeds to the University. The balance of the premium was approximately \$6,650,000 at June 30, 2016. The effective interest rate of the bond issue is 3.97%. The loan agreement contains various restrictive covenants, including annual bond coverage and additional bond tests. As additional security for the payments of the amounts due from the University and the performance by the University of its other obligations under the loan agreement and its obligations to holders of the Series 2005 bonds, the Series 2011 bonds, the Series 2013 bonds, the Series 2015A bonds, the bonds and holders of additional indebtedness, the University has granted a mortgage lien and security interest in the mortgaged property (land, buildings, and fixtures located on the University's Daytona Beach campus) to the Trustee.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

- (8) The Series 2015C bonds were issued to refund the Volusia County Educational Facilities Authority's (VCEFA's) outstanding Series 2005 bonds. The bonds were issued under an agreement whereby the VCEFA issued and sold revenue bonds in the original amount of \$26,535,000 and loaned the proceeds to the University to extinguish a portion of the Series 2005 bonds. This transaction was accounted for as an extinguishment of debt. The associated remaining 2005 deferred financing fees and other costs were recorded as a loss on extinguishment of debt. The series 2015C bonds were issued at par. The effective interest rate of the bond issue is 2.28%. The loan agreement contains various restrictive covenants, including annual bond coverage and additional bond tests. As additional security for the payments of the amounts due from the University and the performance by the University of its other obligations under the loan agreement and its obligations to holders of the Series 2005 bonds, the Series 2011 bonds, the Series 2013 bonds, the Series 2015A bonds, the Series 2015B bonds, the bonds and holders of additional indebtedness, the University has granted a mortgage lien upon and security interest in the mortgaged property (land, buildings, and fixtures located on the University's Daytona Beach campus) to the Trustee.

Maturities of long-term debt in each of the next five fiscal years and thereafter at June 30, 2016 are as follows (in thousands):

Year ending, June 30,	Amount
2017	\$ 11,845
2018	12,297
2019	12,980
2020	13,810
2021	14,210
Thereafter	155,819
Unamortized bond premium	6,733
Total	\$ 227,694

7. Student Loans Receivable

At June 30, student loans included in the consolidated statements of financial position consist of the following:

	2016	2015
	<i>(in thousands)</i>	
Federal Perkins loan program	\$ 11,646	\$ 11,816
Other student loans	1,841	2,019
Less: allowance for doubtful accounts	(1,340)	(1,049)
Total student loans receivable, net	12,147	12,786
Current portion	1,784	2,041
Long-term portion	\$ 10,363	\$ 10,745

The Program represents the amounts due from current and former students. The availability of funds for loans under the Program is dependent on reimbursements to the pool from repayment on outstanding loans. Loans disbursed under the Program are assigned to the federal government in certain non-repayment situations. Outstanding loans cancelled under the Program result in a reduction of the funds available and a decrease in the liability to the government.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Other student loans receivable consist of uncollateralized loans to current and former students of the University with various interest rates and repayment terms. The allowance for student loans receivable is determined based on estimated default rates.

8. Net Assets

Net assets at June 30, consisted of the following at June 30:

	2016	2015
	(in thousands)	
Unrestricted		
Internally designated for student loans	\$ 1,688	\$ 1,776
Internally designated for future capital acquisitions	9,393	11,571
Quasi endowment funds	72,189	57,831
Debt service funds	25,279	26,670
Invested in plant	165,575	114,475
Undesignated	73,705	110,408
Total Unrestricted Net Assets	347,829	322,731
Temporarily Restricted		
Donor restricted	18,801	18,712
Donor pledges	1,271	1,703
Annuity and living trusts	269	298
Total Temporarily Restricted Net Assets	20,341	20,713
Permanently Restricted		
Endowment pledges	1,297	1,560
Endowment	22,397	21,463
Total Permanently Restricted	23,694	23,023
Total Net Assets	\$ 391,864	\$ 366,467

Net assets released from restrictions met purpose restrictions in the following categories:

Years ended June 30,	2016	2015
	(in thousands)	
Donations restricted for capital asset construction or acquisition	\$ 100	\$ 4
Donations restricted for scholarships	1,423	1,419
Donations restricted for noncapital programs or acquisitions	1,021	774
Net assets released from restrictions	\$ 2,544	\$ 2,197

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

9. Interest Expense, Depreciation Expense, and Operation and Maintenance of Plant

Interest expense, depreciation expense, and operation and maintenance of plant, are allocated to the University's various functional areas as follows:

<i>Years ended June 30,</i>	2016	2015
	<i>(in thousands)</i>	
Interest Expense		
General academic instructions	\$ 1,818	\$ 1,926
Fight instructions	740	401
Research	4	28
Academic support	31	37
Student services	1,186	725
Institutional	564	288
Scholarships	4	2
Auxiliary enterprises	734	3,594
Total Interest Expense	\$ 5,081	\$ 7,001

<i>Years ended June 30,</i>	2016	2015
	<i>(in thousands)</i>	
Depreciation Expense		
General academic instruction	\$ 8,895	\$ 8,350
Flight instruction	4,628	3,927
Research	297	292
Academic support	1,796	1,825
Student services	5,150	4,660
Institutional	5,568	5,702
Scholarships	194	159
Auxiliary enterprises	5,195	4,525
Total Depreciation Expense	\$ 31,723	\$ 29,440

<i>Years ended June 30,</i>	2016	2015
	<i>(in thousands)</i>	
Operation and Maintenance of Plant		
General academic instruction	\$ 2,389	\$ 2,000
Flight instruction	1,058	890
Research	330	273
Academic support	1,018	851
Student services	2,707	2,258
Institutional	908	758
Scholarships	7	6
Auxiliary enterprises	5,786	4,826
Total Operation and Maintenance of Plant	\$ 14,203	\$ 11,862

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

10. Retirement

Retirement benefits are provided through a noncontributory defined contribution plan (Plan) covering all qualified employees. The Plan is administered through the Teachers Insurance and Annuity Association College Retirement Equity Funds (TIAA-CREF), a national organization used to fund pension benefits for educational institutions for the year ended June 30, 2016 and through TIAA-CREF and the Vanguard Group of mutual funds for the year ended June 30, 2015. Retirement plan expenses for the years ended June 30, 2016 and 2015 were approximately \$11,607,000 and \$11,271,000, respectively.

11. Commitments and Contingencies

Operating Leases

The University leases land, buildings, and equipment for its operations. Total rental expense for the years ended June 30, 2016 and 2015 was approximately \$7,859,000 and \$8,626,000, respectively. Future minimum rental payments required under operating leases for the next five years and thereafter at June 30, 2016, are as follows (in thousands):

Year ending, June 30,	Amount
2017	\$ 5,655
2018	4,922
2019	5,029
2020	4,739
2021	4,400
Thereafter	8,464
Total	\$ 33,209

Unionized Labor Force

The University employs approximately 130 full-time flight instructors in the Daytona Beach area who are part of a collective bargaining unit covered by the International Association of Machinists and Aerospace Workers Union (Union), AFL-CIO, whose contract expired on June 30, 2016. The University has renegotiated a three-year contract with the Union, which expires June 2019.

Litigation

The University is involved in litigation on a number of matters, which arise in the normal course of business, none of which, in the opinion of the administration, are expected to have a material adverse effect on the University's consolidated financial statements.

Guarantee Liability

The University participated in the Guaranteed Access to Education (GATE) loan program, which is administered by a third-party vendor. The University entered into a limited guarantee agreement through 2022 for student loans, which is triggered when students default. At June 30, 2016, the maximum potential amount of future payments under this program is \$519,889 undiscounted. At June 30, 2016, the University has established a liability of \$210,811 to estimate student loan defaults under this program.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Self-Insurance Reserves

Since May, 1989, the University has been providing medical (including pharmacy), dental, and vision insurance benefits for its employees. Currently, the University has both fully insured and self-insured medical and dental benefit plans. The vision plan is only self-insured. To assist with administering the self-insured plans, the University uses a Third Party Administrator (TPA) under an Administrative Services Only (ASO). Blue Cross Blue Shield is the administrator of the medical, dental and vision benefits. The University contracts directly with medical provider networks for the self-insured medical plans. Provider networks are not used for its self-insured dental or vision plans.

The University is fully liable for all financial and legal aspects of its self-insured employee benefits plan. To protect itself against unfunded financial liability, stop-loss insurance is purchased, under which the excess portion of claims that are above the agreed limit (stop-loss) would become the responsibility of the reinsurer. Stop loss protection is not purchased for the dental and vision plans, since the risk of excessive claims for these benefits is negligible.

Self-insurance reserves are based on estimates of historical experience, and while management believes that the reserves are adequate, the ultimate liabilities may be more or less than the amounts provided. As of June 30, 2016, self-insurance reserves amount to approximately \$1,365,000.

Grant Revenue

The grant revenue amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the University. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements, and applicable federal and state laws and regulations.

12. Fair Value Measurements

The University complies with ASC 820, Fair Value Measurements and Disclosures (ASC 820), which defines fair value as 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 and establishes a framework for measuring fair value.

ASC 820 establishes a three-level hierarchy for disclosure of fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. The three levels are defined as follows.

- Level 1 - Quoted prices in active markets which are unadjusted and accessible as of the measurement date for identical unrestricted assets and liabilities;
- Level 2 - Quotes prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; or
- Level 3 - Prices or valuations that require inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investments are reported at estimated fair value. If an investment security is owned directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. As of June 30, 2016 and 2015, the University had no plans or intentions to sell investments at amounts different from NAV.

The University's investments at June 30, 2016 are summarized in the following table by their redemption availability and fair value hierarchy classification or net asset value (in thousands of dollars):

June 30, 2016	Redemption Availability	Level 1	Level 2	Level 3	Total
Investments measured at fair value					
U.S. equity	Daily	\$ 47,467	\$ -	\$ -	\$ 47,467
International equity	Daily	19,336	-	-	19,336
Fixed income	Daily	27,057	-	-	27,057
Cash and cash equivalents	Daily	111	-	-	111
Real assets	Daily	6,198	-	-	6,198
Total marketable securities		100,169	-	-	100,169
Funds held or administered by others	Not Applicable	-	496	-	496
Subtotal		100,169	496	-	100,665
Investments measured at net asset value					
Hedge funds:					
Long/short	Monthly				2,640
Multi-strategy	Semi-annual				2,753
Other	Currently illiquid				21
Private partnerships:					
Real estate	Quarterly				5,759
Subtotal		-	-	-	11,173
Total		\$ 100,169	\$ 496	\$ -	\$ 111,838

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The University's investments at June 30, 2015 are summarized in the following table by their redemption availability and fair value hierarchy classification or net asset value (in thousands of dollars):

June 30, 2015	Redemption Availability	Level 1	Level 2	Level 3	Total
Investments measured at fair value					
U.S. equity	Daily	\$ 51,413	\$ -	\$ -	\$ 51,413
International equity	Daily	16,083	-	-	16,083
Fixed income	Daily	28,083	-	-	28,083
Cash and cash equivalents	Daily	65	-	-	65
Real assets	Daily	9,854	-	-	9,854
Total marketable securities		105,498	-	-	105,498
Funds held or administered by others	Not Applicable	-	396	-	396
Subtotal		105,498	396	-	105,894
Investments measured at net asset value					
Hedge funds:					
Long/short	Monthly				2,777
Multi-strategy	Semi-annual				2,845
Other	Currently illiquid				31
Subtotal		-	-	-	5,653
Total		\$ 105,498	\$ 396	\$ -	\$ 111,547

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Funds Held or Administered by Others - The fair value of short-term investments, consisting primarily of money market funds are classified as Level 2 as these funds are not traded on a regular basis.

Marketable Securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available

Fair of Cash Equivalents - The carrying amounts of cash equivalents approximate fair value due to the short-term nature of these items.

As a practical expedient, the University relies on the NAVs of certain investments as their fair value. The NAVs that have been provided by investees are derived from their values of the underlying investments as of the reporting date. The tables above summarize, as of June 30, 2016 and 2015, the nature of these investments and any related liquidation restrictions or other factors, which may impact the ultimate value realized.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

13. Endowment

The University's endowment consists of approximately 254 individual funds established for a variety of purposes. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida operates under the Florida Uniform Management of Institutional Funds Act (UMIFA), enacted in 2003. The Board of Trustees of the University has interpreted UMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University 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 the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed in UMIFA.

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

- 1) The duration and preservation of the fund;
- 2) The purposes of the organization and the donor-restricted endowment funds;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and appreciation of investments;
- 6) Other resources of the organization; and
- 7) The investment policies of the organization

General Objectives

The University's investment philosophy is based upon the recognition that over time, in all economic environments, there will be an inflationary loss of purchasing power. The endowment should be managed to achieve growth greater than the inflation rate and the spending rule. A further objective is to minimize risk, to the extent possible, given the rate of return of the asset pool. The portfolio will be maintained in a diversified pool of investments, which are invested using a "total return" philosophy, without direct consideration for the endowment's ability to generate current income.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Performance Objectives and Risk Parameters

The performance results of the endowment's various segments will generally be measured over a three- to five-year period. However, given the volatility of the capital markets, performance is monitored on a quarterly basis as a means of identifying developing long-term trends. All investment results are evaluated on a net total return basis (after all management fees and transaction related expenses). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to attain an average annual rate of return that exceeds the consumer price index (CPI) by 4%, earn an average annual rate of return that exceeds the return of the asset allocation target benchmark indices; and, rank above the median when compared to a representative universe of other, similarly managed portfolios.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University's investments are diversified by asset class, with asset classes and by manager. The purpose of diversification is to provide reasonable assurance that no class of securities, manager, or individual holding will have a disproportionate impact on the endowments aggregate results. To achieve its long-term investment objective, the endowment's assets are invested primarily in equities, but also include allocations to asset classes that might serve as partial hedges against inflation and deflation. The asset allocation of the endowment reflects the University's long-term financial objectives as well as the University's tolerance for risk.

Endowment results are measured relative to blended benchmarks composed of the appropriate asset class indices and weighted based upon the endowment's policy target and actual allocations.

Spending Policy

The endowment seeks to achieve reasonable stability in budgeting for University operations and to maintain intergenerational equity between near-term and long-term priorities. On an annual basis the Investment Committee, based on various factors, will authorize a spending rate. The spending rate has typically been between 4% and 5% of the 3-year moving average market value of the endowed funds, but may vary based on factors such as economic condition. This amount will be distributed annually to the income accounts of the endowed sub-funds.

In the event that the annual realized earnings of the overall endowment fund result in "underwater" endowed sub-funds, the Committee will determine an appropriate course of action regarding the annual disbursement to the income accounts of the endowed sub-funds.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2016 and 2015, the amount of permanently restricted endowments whose fair value of assets was less than the level required by donor stipulation totaled approximately \$26,000 and \$26,000, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Changes in Endowment Net Assets

<i>Year ended June 30, 2016</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
	(in thousands)			
Endowment net assets, beginning of the year	\$ 57,831	\$ 12,329	\$ 23,023	\$ 93,183
Investment return:				
Investment income	1,066	671	-	1,737
Net depreciation (realized and unrealized)	(1,235)	(635)	-	(1,870)
Total in investment return	(169)	36	-	(133)
Contributions	-	-	671	671
Appropriation of endowment assets for expenditure	(1,589)	(941)	-	(2,530)
Other changes:				
Transfers to create board- designated endowment funds	16,116	-	-	16,116
Endowment net assets, end of the year	\$ 72,189	\$ 11,424	\$ 23,694	\$ 107,307

Endowment Net Assets Composition by Type of Fund

June 30, 2016

<i>Endowment Net Asset Composition by Type of Fund</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 11,424	\$ 23,694	\$ 35,118
Board-designated endowment funds	72,189	-	-	72,189
Total	\$ 72,189	\$ 11,424	\$ 23,694	\$ 107,307

Changes in Endowment Net Assets

<i>Year ended June 30, 2015</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
	(in thousands)			
Endowment net assets, beginning of the year	\$ 55,114	\$ 12,156	\$ 20,344	\$ 87,614
Investment return:				
Investment income	1,348	806	-	2,154
Net appreciation (realized and unrealized)	1,408	234	-	1,642
Total in investment return	2,756	1,040	-	3,796
Contributions	-	-	2,679	2,679
Appropriation of endowment assets for expenditure	(53)	(867)	-	(920)
Other changes:				
Transfers to create board- designated endowment funds	14	-	-	14
Endowment net assets, end of the year	\$ 57,831	\$ 12,329	\$ 23,023	\$ 93,183

Embry-Riddle Aeronautical University, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Endowment Net Assets Composition by Type of Fund

<i>June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Endowment Net Asset Composition by Type of Fund				
Donor-restricted endowment funds	\$ -	\$ 12,329	\$ 23,023	\$ 35,352
Board-designated endowment funds	57,831	-	-	57,831
Total	\$ 57,831	\$ 12,329	\$ 23,023	\$ 93,183

14. Subsequent Events

Management of the University has reviewed subsequent events from June 30, 2016, through November 7, 2016 (the date the accompanying consolidated financial statements are available to be issued). Subsequent to June 30, 2016, the University signed one seven-year capital lease obligations in the amount of \$1,494,671 for two aircrafts.

Supplementary Information

Embry-Riddle Aeronautical University, Inc.

Net Assets Class Disaggregation Schedule

(in Thousands)

<i>June 30, 2016</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 123,450	\$ -	\$ -	\$ 123,450
Investments (Note 2)	70,368	19,073	22,397	111,838
Accounts and notes receivable, less allowance for doubtful accounts of \$1,224	9,263	-	-	9,263
Current portion of student loan receivables, net	1,784	-	-	1,784
Current portion of contributions receivable, net (Note 4)	9	191	469	669
Inventories	2,868	-	-	2,868
Prepaid expenses and other current assets	5,443	-	-	5,443
Total Current Assets	213,185	19,264	22,866	255,315
Deposits and investments with fiduciaries (Note 3)	79,749	-	-	79,749
Long-term accounts and noted receivable, net	36	-	-	36
Student loans receivable, less current portion and allowance for doubtful accounts of \$1,340	10,363	-	-	10,363
Contributions receivable, net, less current portion (Note 4)	9	1,080	828	1,917
Land and land improvements, buildings and equipment, net (Note 5)	349,004	-	-	349,004
Other assets	2,348	-	-	2,348
Total Assets	\$ 654,694	\$ 20,344	\$ 23,694	\$ 698,732
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 37,055	\$ 3	\$ -	\$ 37,058
Advances for student loans and financial aid	9,819	-	-	9,819
Student deposits and advance payments	7,626	-	-	7,626
Deferred revenue	24,671	-	-	24,671
Current portion of long-term debt (Note 6)	11,262	-	-	11,262
Total Current Liabilities	90,433	3	-	90,436
Long-term debt (Note 6)	216,432	-	-	216,432
Total Liabilities	306,865	3	-	306,868
Net Assets (Note 7)				
Unrestricted	347,829	-	-	347,829
Temporarily restricted	-	20,341	-	20,341
Permanently restricted	-	-	23,694	23,694
Total Net Assets	347,829	20,341	23,694	391,864
Total Liabilities and Net Assets	\$ 654,694	\$ 20,344	\$ 23,694	\$ 698,732

Appendix C

Forms of the Master Indenture, Bond Indenture and Loan Agreement

[THIS PAGE INTENTIONALLY LEFT BLANK]

MASTER TRUST INDENTURE

between

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

and

WELLS FARGO BANK, N.A.

Dated as of February 1, 2015

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND OTHER PROVISIONS CONCERNING	
INTERPRETATION	4
Section 1.01 Definitions	4
Section 1.02 Interpretation	12
ARTICLE II OBLIGATIONS, AUTHORIZATION, ISSUANCE AND TERMS OF	
OBLIGATIONS	14
Section 2.01 Amount of Obligations	14
Section 2.02 Form, Designation, Numbering and Registration of Obligations	14
Section 2.03 Execution and Authentication of Obligations	14
Section 2.04 Supplement Creating Obligations	15
Section 2.05 Conditions to Issuance of Obligations Hereunder	15
ARTICLE III PARTICULAR COVENANTS OF THE CORPORATION	17
Section 3.01 Payment of Principal and Interest	17
Section 3.02 Tax Status of Corporation	17
Section 3.03 Maintenance of Corporate Existence	17
Section 3.04 Insurance	17
Section 3.05 Compliance with Laws, Etc.	17
Section 3.06 Financial Reports and Other Data	18
Section 3.07 Maintenance of Property	18
Section 3.08 Notice of Failure to Comply	19
Section 3.09 Payment of Obligations	19
Section 3.10 Taxes and ERISA	19
Section 3.11 Debt Service Coverage Ratio	19
Section 3.12 Mortgage; Mortgage Release; Negative Pledge	19
Section 3.13 Limitations on Creation of Liens	20
Section 3.14 Limitations on Incurrence of Indebtedness	20
Section 3.15 No Future Issuance Under Prior Bond Documents	20
Section 3.16 Tuition Revenue Fund; Payments to Bond Trustee and Master	
Trustee	21
Section 3.17 Reserve Funds	23

ARTICLE IV EVENTS OF DEFAULT AND REMEDIES	25
Section 4.01 Events of Default.....	25
Section 4.02 Acceleration; Annulment of Acceleration.....	26
Section 4.03 Additional Remedies and Enforcement of Remedies.....	27
Section 4.04 Application of Moneys after Default.....	28
Section 4.05 Remedies Not Exclusive.....	29
Section 4.06 Remedies Vested in the Master Trustee.....	29
Section 4.07 Holders' Control of Proceedings.....	30
Section 4.08 Termination of Proceeding.....	30
Section 4.09 Waiver of Event of Default.....	30
Section 4.10 Remedies Subject to Provisions of Law.....	31
Section 4.11 Notice of Default.....	31
ARTICLE V THE MASTER TRUSTEE.....	32
Section 5.01 Certain Duties and Responsibilities.....	32
Section 5.02 Certain Rights of Master Trustee.....	33
Section 5.03 Right to Deal in Obligations and Related Bonds.....	34
Section 5.04 Removal and Resignation of the Master Trustee.....	34
Section 5.05 Compensation and Reimbursement.....	35
Section 5.06 Recitals and Representations.....	36
ARTICLE VI SUPPLEMENTS AND AMENDMENTS	37
Section 6.02 Supplements Requiring Consent of Holders.....	37
Section 6.03 Execution and Effect of Supplements.....	39
ARTICLE VII SATISFACTION AND DISCHARGE OF INDENTURE.....	40
Section 7.01 Satisfaction and Discharge of Indenture.....	40
Section 7.02 Payment of Obligations after Discharge of Lien.....	40
ARTICLE VIII CONCERNING THE HOLDERS.....	41
Section 8.01 Evidence of Acts of Holders.....	41
Section 8.02 Obligations or Related Bonds Owned by the Corporation.....	42
Section 8.03 Instruments Executed by Holders Bind Future Holders.....	42
ARTICLE IX MISCELLANEOUS PROVISIONS.....	43
Section 9.01 Limitation of Rights; References to Prior Bonds.....	43
Section 9.02 Severability.....	43
Section 9.03 Holidays.....	43

Section 9.04 Governing Law.....	43
Section 9.05 Counterparts.....	44
Section 9.06 Immunity of Individuals.....	44
Section 9.07 Binding Effect.....	44
Section 9.08 Notices.....	44
Section 9.09 Consents and Approvals.....	44

Exhibit A - Form of Negative Pledge Agreement

This MASTER TRUST INDENTURE, dated as of February 1, 2015 (the "Master Indenture"), between EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC., a Florida not-for-profit corporation (the "Corporation"), and WELLS FARGO BANK, N.A., a national banking association duly incorporated and validly existing under the laws of the United States of America, having its principal corporate trust office in Jacksonville, Florida and being duly qualified to accept and administer the trusts created hereby (the "Master Trustee");

WITNESSETH:

WHEREAS, the Corporation owns and operates an institution for higher education located within the State of Florida (the "State") and in the State of Arizona; and

WHEREAS, the Corporation is authorized and deems it necessary and desirable to enter into this Master Indenture for the purpose of providing for the issuance from time to time by the Corporation of Obligations (as defined herein) to finance, refinance or refund the acquisition, construction or capital improvements of the Corporation's properties and for other lawful and proper purposes; and

WHEREAS, the Corporation desires to place into service and utilize this Master Indenture for the issuance of Obligations to modernize and standardize its debt issuance procedures, pledges and covenants; however, the Corporation currently has Outstanding certain Prior Obligations which shall be recognized and accommodated hereunder until such time as such Prior Obligations are secured by Obligations hereunder and are no longer Outstanding; and

WHEREAS, the Prior Obligations have certain pre-existing covenants and security interests which shall remain in full force and effect while such Prior Obligations are Outstanding; and

WHEREAS, the Obligations issued under this Master Indenture shall be subject to those certain prior rights and securities now Outstanding; and

WHEREAS, all acts and things necessary to constitute this Master Indenture a valid indenture and agreement according to its terms having been done and performed, and the Corporation having duly authorized the execution and delivery of this Master Indenture in the exercise of the legal rights and powers vested in it, executes this Master Indenture and proposes to make, execute, issue and deliver Obligations hereunder; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby, subject to the terms hereof,

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of Obligations issued hereunder by the Holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which Obligations are to be issued, authenticated,

delivered and accepted by all persons who shall from time to time be or become registered owners thereof, the Corporation covenants and agrees with the Master Trustee, for the equal and proportionate benefit of the respective registered owners from time to time of Obligations issued hereunder, as follows:

GRANTING CLAUSES

NOW, THEREFORE, THIS MASTER INDENTURE FURTHER WITNESSETH: That in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the purchase and acceptance of the Obligations by the Holders (defined herein) thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Obligations are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Holders thereof, and in order to secure the payment of all of the Obligations at any time issued and Outstanding (defined herein) hereunder and the interest thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all of the covenants and conditions therein and herein contained, the Corporation has executed this Master Indenture and does hereby grant a security interest in, assign, transfer, pledge, grant and convey unto the Bond Trustee and its successors and assigns forever:

A. All rights and interest in, under and pursuant to (i) the Negative Pledge Agreement (defined herein), and (ii) until released in accordance with Section 3.12 hereof, the Mortgage.

B. All Tuition Revenues, except that the Ancillary Revenue Portion may be released in accordance with the provisions of Section 3.16(d) hereof, and amounts on deposit from time to time in any funds and accounts created pursuant hereto, subject to the provisions of this Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein.

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Obligations, by the Corporation or by anyone in its behalf or with its written consent or by the Corporation, in favor of the Master Trustee, which is hereby authorized to receive any and all such property or reserve funds at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all said properties pledged, assigned and conveyed by the Corporation hereunder, including all additional property which by the terms hereof has or may become subject to the encumbrance hereof, unto the Master Trustee and its successors in trust and its assigns forever, subject, however, to the rights reserved hereunder.

IN TRUST NEVERTHELESS, for the equal and ratable benefit and security of the Holders from time to time of the Obligations issued, authenticated, delivered and outstanding

hereunder, without preference, priority or distinction as to lien or otherwise of any of said Obligations over any other or others of said Obligations.

[Remainder of Page Intentionally Left Blank]

ARTICLE I DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

Section 1.01 Definitions.

For the purposes hereof unless the context otherwise indicates, the following words and phrases shall have the following meanings:

"Ancillary Revenue Portion" shall mean the certain revenues currently included and pledged as a portion of the Tuition Revenues herein, which shall consist solely of the revenues, receipts and income received from the Corporation's (i) housing or dormitory programs and facilities, (ii) dining programs and facilities, (iii) student center related enterprises and vending, (iv) book sales, (v) sports and recreation fees and revenues, and (vi) parking programs and facilities.

"Authority" means the Volusia County Educational Facilities Authority, the Volusia County Industrial Development Authority and any successors thereto, and any other issuer from time to time the Corporation may choose to select to issue Related Bonds or debt on its behalf.

"Authority Bonds" means any Related Bonds issued by the Authority.

"Authority Loan Agreement" means any Loan Agreement by and between the Authority and the Corporation, including any amendments or supplements thereto as therein permitted.

"Affiliate" means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which (i) is directly or indirectly controlled by the Corporation, or by any Person which directly or indirectly controls the Corporation or (ii) controls, directly or indirectly, the Corporation. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise. "Affiliate" includes each Person who is an "affiliate" of the Corporation under Generally Accepted Accounting Principles.

"Balloon Indebtedness" shall mean debt of which 25% or more of the principal amount comes or may come due in any one Fiscal Year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof.

"Business Day" shall mean any day of the week other than Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

"Corporate Trust Office" means the office of the Master Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in Jacksonville, Florida.

"Corporation" means Embry-Riddle Aeronautical University, Inc., a not-for-profit corporation duly incorporated and validly existing under and by virtue of the laws of the State of Florida, and any successor or successors thereof.

"Corporation Representative" means the person at the time designated to act on behalf of the Corporation by written certificate furnished to the Issuer and the Master Trustee and the Bond Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the President or the Vice-President, Chief Financial Officer. Such certificate may designate an alternative or alternates who shall have the same authority, duties and powers as such Corporation Representative.

"Debt Service Coverage Ratio" means the ratio determined by dividing Net Revenues Available for Debt Service for any period by Required Debt Payments for such period.

C "Derivative Agreement" means (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of interest rate floors or caps, options, puts or calls or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that by entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Derivative Agreement Counterparty" means, with respect to a Derivative Agreement, the Person that is identified in such agreement as the counterparty to, or contracting party with, the Corporation.

"Derivative Indebtedness" means Indebtedness or any portion thereof with respect to which the Corporation shall have entered into a Derivative Agreement.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Event of Default" means, with respect to this Master Indenture, any one or more of those events set forth in Section 4.01.

"Fiscal Year" shall mean the period which begins July 1 and ends June 30 of the following year which, at present, is used by the Corporation as its Fiscal Year, or such other Fiscal Year as designated by the Corporation from time to time.

"Generally Accepted Accounting Principles" means those principles of accounting set forth in statements of the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or which have other substantial authoritative support and are applicable under the circumstances and construed in accordance with the intent of the covenants herein undertaken in light of the principles in force and effect as of the date hereof. The Corporation may elect to apply, in its discretion, such principles as may be from time to time supplemented and amended after the date hereof.

"Governing Body" means, when used with respect to the Corporation, its board of trustees or other board or group of individuals in which the powers of governance of the Corporation are vested.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

"Guaranty" shall mean any obligation of the Corporation guaranteeing or, in effect, guaranteeing any Indebtedness, dividend or other obligation of any primary obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise by the Corporation (a) to purchase such Indebtedness or obligation or any property constituting security therefor; (b) to advance or supply funds; (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (c) to purchase securities or other property or services primarily for the purpose of assuring the holder of such Indebtedness or obligation of the ability of the Corporation to make payment of the Indebtedness or obligation; or (d) otherwise to assure the holder of such Indebtedness or obligation against loss in respect thereof.

"Holder" means the owner of any Obligation issued hereunder.

"Indebtedness" means (i) all indebtedness of the Corporation for borrowed money and (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by the Corporation, all as properly reflected on the audited financial statements of the Corporation.

"Lien" means any interest in any Property securing an obligation owed to, or a claim by, a Person other than the Corporation, whether such interest arises by contract, statute or common law, including but not limited to any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property that secures any Indebtedness, the obligation of the Corporation with respect to a Derivative Agreement or other obligation of the Corporation or any other Person. The term "Lien" shall include any easements, covenants, restrictions,

conditions, encroachments, reservations, rights-of-way, leases and other title exceptions and encumbrances affecting real property.

"Long-Term Indebtedness" means all Indebtedness having a maturity of a term longer than one year incurred or assumed by the Corporation, including any of the following:

(i) money borrowed for an original term of more than one year or renewable at the option of the Corporation to a date more than one year from the date originally incurred; and

(ii) leases which are required to be capitalized in accordance with Generally Accepted Accounting Principles having an original term of more than one year or renewable at the option of the Corporation to a date more than one year from the date originally incurred; and

(iii) installment sale or conditional sale contracts having an original term of more than one year.

In determining compliance herewith, the Corporation may incur Long-Term Indebtedness which constitutes Balloon Indebtedness or Tender Indebtedness and the computation of debt service on such debt which has tender or balloon features shall be as follows:

(i) if such Balloon or Tender Indebtedness is subject to an irrevocable binding commitment to provide alternate financing for such Long-Term Indebtedness, which commitment shall be provided by a commercial bank or insurance company rated "A" or better by S&P or Moody's, the assumed amortization rate and the assumed amortization period shall be in compliance with such commitment; and

(ii) If the commitment securing such Balloon or Tender Long-Term Indebtedness does not satisfy the requirements for a commitment described in clause (i) above or if such commitment does satisfy the requirements of clause (i) above but does not contain an ascertainable amortization period or interest rate, then the Corporation shall assume an amortization period for such Long-Term Indebtedness of the greater of 20 years or the maturity of the Long-Term Indebtedness.

"Master Trustee" means Wells Fargo Bank, N.A., Jacksonville, Florida, and its successors in the trusts created hereunder.

"Mortgage" means the Mortgage and Security Agreement dated as of June 1, 1999, as amended from time to time, executed by the Corporation in favor of Wachovia Bank, National Association, as successor to First Union National Bank, as Bond Trustee for the Prior Obligations.

"Mortgage Amendment" means the Notice of Future Advance Amendment to Mortgage and Security Agreement, dated as of February 1, 2015 from the Corporation to the Related Bond Trustee.

"Mortgage Release" means the satisfaction and release of the Mortgage in accordance with Section 3.12 hereof.

"Negative Pledge Agreement" means the Negative Pledge Agreement in the form attached as Exhibit A hereto to be placed of record upon the release of the Mortgage as set forth herein.

"Net Revenues Available for Debt Service" means (a) changes in unrestricted net assets, plus (b) interest payments on Indebtedness, plus (c) depreciation and amortization, plus (d) unrealized losses on investments, minus (e) unrealized gains on investments, and (f) without giving effect to (i) any changes in the value of any Derivative Agreement (whether a positive or negative number), (ii) any changes in post retirement benefits (other than pension) (whether positive or negative), or (iii) any change in other non-cash expenses as defined by Generally Accepted Accounting Principles (whether a positive or negative number).

"Obligation" means the instrument issued hereunder to evidence a particular Indebtedness.

"Obligation Register" has the meaning given such term in Section 2.02.

"Officer's Certificate" means a certificate signed by the Corporation Representative. Each Officer's Certificate presented under this Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of) this Master Indenture and shall incorporate by reference and use in all appropriate instances all terms defined in Section 1.01. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance, and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Operating Line of Credit" means a line of credit for the Corporation which is either secured or unsecured, which such operating line immediately upon incurrence and at all times thereafter is outstanding in an amount not exceeding 10% of the Tuition Revenues (which shall not include any Ancillary Revenue Portion which has been released) as determined by reference to the most recently available audited financial statements of the Corporation.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee, who may be counsel for the Corporation or other counsel acceptable to the Master Trustee.

"Outstanding," when used with reference to Indebtedness (including the Prior Bonds) or Obligations, means, as of any date of determination, all Indebtedness or Obligations theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, and (iii) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser.

"Permitted Liens" means any of the following Liens:

(i) Liens arising by reason of good faith deposits with the Corporation in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Corporation to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation 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 Corporation to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment Lien against the Corporation so long as such judgment is being contested in good faith and execution thereon is stayed or the liability of the Corporation under such judgment is adequately covered by insurance;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any Liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any Liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to Liens of mechanics, materialmen, laborers, suppliers or vendors have been due for fewer than ninety (90) days; (C) easements, rights-of-way, servitudes, restrictions, oil,

gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; and (D) landlord's liens;

(v) any Lien incurred for the purpose of financing equipment; provided, however, that the aggregate principal amount of Indebtedness so secured shall not exceed fifteen percent (15%) of the Corporation's total revenues for the most recent Fiscal Year for which audited financial statements are available at the time of the incurrence of such Indebtedness; and provided further that the total amount of Indebtedness secured by a Lien under this clause (v) may not in the aggregate exceed at any time the lesser of \$5,000,000 or 15% of the Corporation's total revenues for the most recent Fiscal Year for which audited financial statements are available and that such Lien shall attach only to the equipment with respect to which such Indebtedness was incurred;

(vi) Any Lien securing all Obligations on a parity basis and any Lien securing the Prior Obligations;

(vii) If any Lien is created pursuant to clause (vi), any Lien so long as such Lien is, by its terms, specifically junior to the Lien created pursuant to clause (vi);

(viii) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(ix) Liens on Property received by the Corporation through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(x) Any Lien on pledges, gifts or grants to be received in the future, including any income derived from the investment thereof;

(xi) Liens on moneys deposited by students or others with the Corporation as security for or as prepayment for the cost of tuition, room and board, activity fees or other costs of attending Embry Riddle Aeronautical University, Inc. or participating in its programs;

(xii) Any Lien arising from the obligation of the Corporation to deliver collateral to secure its obligations under a Derivative Agreement the Corporation is a party to related Derivative Indebtedness; or

(xiii) Any Lien arising from securing an Operating Line of Credit which line of credit does not exceed ten percent (10%) of the Corporation's Tuition Revenues of the prior fiscal Year.

"Person" means an individual, association, unincorporated organization, corporation, limited liability company, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Prior Bonds" shall mean, as of the date hereof, collectively, the Series 2005 Bonds, the Series 2011 Bonds and the Series 2013 Bonds, during such period such debt is outstanding under the terms of the financing documents governing the same. The Series 2013 Bonds shall no longer constitute Prior Bonds hereunder upon the acceptance by the Holder of the Series 2013 Bonds of an Obligation issued hereunder.

"Prior Obligations" shall mean, collectively, the Corporation's Series 2005 Loan Agreement, its Series 2011 Loan Agreement and its Series 2013 Loan Agreement.

"Property" means any and all rights, titles and interests in and to any and all property of the Corporation, whether real or personal, tangible or intangible, including cash, and wherever situated, whether now owned or hereafter acquired.

"Reimbursement Agreement" means any agreement or agreements entered into from time to time between the Corporation and the provider of any irrevocable letter of credit, municipal bond insurance policy, surety bond, line or lines of credit or similar agreement or agreements used to provide liquidity or credit support for the Related Bonds.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" means the issuer of any issue of Related Bonds, including the Authority.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Bonds" means (i) revenue bonds or similar obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, and (ii) any bonds issued by any other Person, in either case the proceeds of which are loaned or otherwise made available to the Corporation in consideration, whether in whole or part, of the execution, authentication and delivery of an Obligation to such governmental issuer or Person or in consideration of the execution and delivery of a guaranty issued by the Corporation which guaranty is represented by an Obligation. Initially, the Related Bonds covered by this Master Indenture consists of the Authority's Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2015A, dated February 12, 2015, the Related Bond Indenture therefor is the Indenture related to such Series 2015A Bonds, dated as of February 1, 2015, between said Authority and Wells Fargo Bank, N.A.

"Release of Ancillary Revenue Portion" shall mean the Corporation's right as set forth in Section 3.16(d) hereof to have the Master Trustee release from the pledge and lien of this Master Indenture the Ancillary Revenue Portion.

"Required Debt Payments" for any period, means the sum of all required payments of principal due with respect to Indebtedness during such period, plus interest due with respect to all Indebtedness during such period. Required Debt Payments with respect to any Operating Line of Credit shall be calculated with the principal amount outstanding being amortized mortgage style over a twenty (20) year period and with interest assumed to be at the rate which is the actual rate charged at the time of the calculation.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is exempt from federal income taxes under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Tender Indebtedness" shall mean any portion of Indebtedness a feature of which is an option on the part of the owners of such Indebtedness to tender or a requirement that such owners tender all or a portion of such Indebtedness to the Corporation or to a trustee or other fiduciary for such owners, or to another person whom the Corporation is obligated to reimburse, for payment or payment of a purchase price or similar payment prior to its stated due date.

"Tuition Revenues" shall mean all receipts, revenues, income and other money received by the Corporation from any source and all rights to receive the same (including, without limitation, all tuition and fee revenues for academic instruction, professional training, use of the Corporation's dormitories, dining facilities, recreational facilities, laboratories, flight training facilities and other services and facilities, and other operating revenues and non-operating revenues determined in accordance with generally accepted accounting principles), whether in the form of accounts receivable, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance thereon, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Corporation; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income derived therefrom, to the extent required by such designation, shall be excluded from Tuition Revenues. At any time on or after the Ancillary Revenue Portion has been released in accordance with Section 3.11(d) hereof, Tuition Revenues shall not be defined to include any of the Ancillary Revenue Portion.

Section 1.02 Interpretation.

(a) Any reference herein to any officer or member of the Governing Body of the Corporation shall include those Persons succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Where the character or amount of any asset, liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes hereof or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, the same shall be done in accordance with Generally Accepted Accounting Principles consistently applied.

(d) Headings of articles and sections herein and in the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Reference herein to particular articles or sections are references to articles or sections of this Master Indenture unless some other reference is otherwise indicated.

(e) Provisions relating to the redemption of Obligations or the calling of Obligations for redemption do not mean or include the payment of Obligations at their stated maturity or maturities.

[Remainder of Page Intentionally Left Blank]

ARTICLE II OBLIGATIONS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01 Amount of Obligations.

The Corporation may issue Obligations hereunder to evidence and secure Indebtedness incurred or to be incurred by the Corporation including any Indebtedness issued to any Person with respect to a Credit Facility (as defined in a Related Bond Indenture) and payment of all amounts due and owing to a Bank (as defined in a Related Bond Indenture) under and pursuant to a Reimbursement Agreement or a similar type of financing or covenant agreement. The number and principal amount of Obligations that may be created hereunder are not limited, except as limited by the provisions hereof, including Section 3.14, or of any Supplement. If the Corporation proposes to incur Indebtedness to be evidenced and secured by an Obligation issued hereunder, it shall give notice at least seven (7) days prior to the date of the incurrence of such Indebtedness to the Master Trustee. During the period the Prior Obligations are Outstanding, the issuance of Obligations and the security therefore remains subject to the rights and security of the Prior Obligations. The Corporation hereby agrees that while any of the Prior Obligations are Outstanding, it shall not issue any Obligations or otherwise incur any form of Indebtedness hereunder or under any other instrument unless the same is permitted indebtedness under the terms of the Prior Obligations.

Section 2.02 Form, Designation, Numbering and Registration of Obligations.

Obligations shall be issued in such forms as may from time to time be created by Supplements permitted hereunder. Each Obligation or series of Obligations shall be created by a different Supplement and shall be designated in such a manner as will differentiate such Obligation from any other Obligation. Obligations shall be issuable as fully registered Obligations and shall be numbered as provided in the Supplement creating such Obligation. The Master Trustee shall keep at its Corporate Trust Office a register (the "Obligation Register"), in which the Master Trustee shall provide for the registration of transfer and exchange of each Obligation as provided in the Supplement creating such Obligation, subject to any additional reasonable regulations as it may prescribe.

Section 2.03 Execution and Authentication of Obligations.

Each Obligation shall be executed for and on behalf of the Corporation, by the Chairman or Vice Chairman of its Governing Body, its President or any Vice President or its Chief Financial Officer and attested by its Secretary or any Assistant Secretary. The signatures of either or both of such officers may be mechanically or photographically reproduced on the Obligation. If any officer whose signature appears on any Obligation ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Each Obligation shall be manually

authenticated by an authorized officer or authorized representative of the Master Trustee, without which authentication no Obligation shall be entitled to the benefits hereof.

The Master Trustee's authentication certificate shall be substantially in the following form:

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. ____ is one of the Obligations contemplated by the within-mentioned Indenture.

_____, as Master Trustee

By: _____
Authorized Signatory

Section 2.04 Supplement Creating Obligations.

The Corporation and the Master Trustee may from time to time enter into a Supplement in order to create an Obligation hereunder. Such Supplement shall set forth the date of such Obligation, the date or dates on which the principal of, redemption premium, if any, and interest on such Obligation shall be payable, the form of such Obligation and such other terms and provisions as shall conform with the provisions hereof. During any period in which the Prior Obligations are Outstanding, such Supplement shall address any security rights which may be in force and effect regarding the Prior Obligations.

Section 2.05 Conditions to Issuance of Obligations Hereunder.

With respect to Obligations issued hereunder, simultaneously with or prior to the execution, authentication and delivery of an Obligation pursuant to this Master Indenture:

(a) All requirements and conditions to the issuance of such Obligation, if any, set forth in this Master Indenture and in the Supplement creating such Obligation shall have been complied with and satisfied, as provided in an Officer's Certificate, a copy of which Certificate shall be delivered to the Master Trustee;

(b) The Corporation, as the issuer of such Obligation shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (i) registration of such Obligation under the Securities Act of 1933, as amended, and qualification of this Master Indenture or the Supplement creating such Obligation under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (ii) the Master Indenture, the Supplement creating such Obligation and such Obligation are valid, binding and enforceable

obligations of the Corporation in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors rights generally and usual equity principles; and

(c) The Corporation shall have delivered to the Master Trustee an Officer's Certificate stating that, to the best of the knowledge of the signer thereof, the Person who is to be the Holder of such Obligation upon the original issuance thereof is not acquiring the interest represented by such Obligation directly or indirectly with the assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan with respect to which (i) any employee of the Corporation or the Master Trustee, in its individual capacity, is a participant or (ii) the Corporation or the Master Trustee, in its individual capacity, or any of their affiliates is otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

(d) While Prior Obligations are Outstanding, the Corporation shall not issue any Obligations or otherwise incur any form of Indebtedness hereunder or under any other instrument unless the same is permitted indebtedness under the terms of the Prior Obligations.

[Remainder of Page Intentionally Left Blank]

ARTICLE III
PARTICULAR COVENANTS OF THE CORPORATION

Section 3.01 Payment of Principal and Interest.

Each Obligation issued pursuant to this Master Indenture shall be a general obligation of the Corporation and shall be equally and ratably secured by this Master Indenture. The Corporation covenants promptly to pay or cause to be paid the principal of, redemption premium, if any, and interest on each Obligation issued hereunder, and any other payments required to be made under the Supplement creating such Obligation and under said Obligation, at the place, on the dates and in the manner provided herein, in the Supplement creating such Obligation and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

Section 3.02 Tax Status of Corporation.

The Corporation shall not take any action or consent to the taking of any action by others that will result in the revocation of the Section 501(c)(3) status of the Corporation.

Section 3.03 Maintenance of Corporate Existence.

The Corporation shall maintain its existence as a not-for-profit corporation qualified to do business in Florida and Arizona and shall not dissolve or dispose of all or substantially all of its assets. The Corporation shall qualify to do business in each other state where the Corporation operates.

Section 3.04 Insurance.

The Corporation shall maintain or cause to be maintained insurance of such type, against such risks and in such amounts, with insurance companies, captive insurance companies or by means of self-insurance, as are customarily carried by private colleges and universities of a size and nature similar to that of the Corporation, which insurance shall include property damage, worker's compensation, casualty, accident, fire, public liability, and property damage liability insurance.

Section 3.05 Compliance with Laws, Etc.

The Corporation shall comply with the requirements of all applicable laws, rules, regulations and orders of any governmental or regulatory authority, non-compliance with which would materially adversely affect its business or credit and comply with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction over the Corporation's operation of its properties.

Section 3.06 Financial Reports and Other Data.

The Corporation shall deliver the following items to the Master Trustee and to any other Holder that requests a copy of the same:

(a) As soon as practical and in any event within one hundred fifty (150) days after the end of each Fiscal Year of the Corporation (i) a balance sheet of the Corporation as at the end of such Fiscal Year, and the notes thereto, and the related statement of operation, changes in net assets and cash flows for the Corporation, and the respective notes thereto, for such Fiscal Year, setting forth comparative financial statements for the preceding Fiscal Year, all prepared in accordance with Generally Accepted Accounting Principles applied on a consistent basis and containing audit opinions of independent certified public accountants selected by the Corporation, which are unqualified as to the scope of the audit performed and without any exception not acceptable by the Master Trustee; and (ii) an Officer's Certificate (A) stating that no Default or Event of Default exists and is continuing as of the date of such certificate (or, if a Default or Event of Default exists, stating the nature thereof), and (B) demonstrating compliance with Sections 3.11, and setting forth calculations supporting such certification;

(b) Together with each delivery of the financial statements required by Section 3.06(a), a letter from the Corporation's independent certified public accountants stating that in performing the audit necessary to render an opinion on the financial statements delivered under Section 3.06(a), they obtained no knowledge of any Default or Event of Default by the Corporation in the fulfillment of the terms and provisions of this Master Indenture insofar as they relate to financial matters (which at the date of such statement remains uncured), or, if the accountants have obtained knowledge of such Default or Event of Default, a statement specifying the nature and period of existence thereof;

(c) Promptly upon its becoming available to the Corporation, a copy of any management letter or other report submitted to the Corporation by independent certified public accountants in connection with any annual, interim or special audit of the Corporation;

(d) Annually within 120 days of the beginning of each Fiscal Year, the Corporation's enrollment information for the Fall of such Fiscal Year, including number of applications and acceptances, and within 120 days of the end of each Fiscal Year the number of students actually matriculating (shown as full time equivalent units) for such Fiscal Year.

Section 3.07 Maintenance of Property.

The Corporation shall maintain its properties in good order and repair, nominal wear and tear excepted, and, from time to time, make all needful and proper repairs, renewals, replacements, additions and improvements thereto.

Section 3.08 Notice of Failure to Comply.

Upon the Corporation's receiving any notice under a Reimbursement Agreement or similar type of financing or covenant agreement that the maturity of any Indebtedness of the Corporation related to such agreement is being declared to be due and payable on account of the failure of the Corporation to comply with its covenants under the agreement, which event is not an Event of Default hereunder, the Corporation shall provide immediate notice thereof to the Master Trustee. Upon the receipt of such a notice, the Master Trustee shall provide immediate notice thereof to the other Holders of Obligations issued hereunder.

Section 3.09 Payment of Obligations.

The Corporation shall pay when due (including any applicable grace period) all its material obligations and liabilities, except where the same may be contested in good faith and appropriate reserves for the accrual of the same as required by Generally Accepted Accounting Principles are maintained.

Section 3.10 Taxes and ERISA.

The Corporation shall promptly pay, or cause to be paid, all taxes, assessments or other governmental charges levied on the Corporation or its Property or income and comply with all requirements of ERISA applicable to it.

Section 3.11 Debt Service Coverage Ratio.

The Corporation shall maintain a Debt Service Coverage Ratio of not less than 1.10, calculated annually on each July 1, beginning July 1, 2015, for the immediately preceding Fiscal Year.

Section 3.12 Mortgage; Mortgage Release; Negative Pledge.

(a) Mortgage. As additional security for the payments of the amounts due from the Corporation and the performance of the Corporation of its other obligations under this Master Indenture and its obligations to Holders on parity with the Prior Obligations, the Corporation has entered into the Mortgage and Security Agreement, dated as of June 1, 1999, as amended by the Notice of Future Advance and First Amendment to Mortgage and Security Agreement dated as of August 1, 2003, the Notice of Future Advance and Second Amendment to Mortgage and Security Agreement dated as of August 1, 2005 and the Notice of Future Advance and Third Amendment to Mortgage and Security Agreement dated as of July 7, 2011, the Notice of Future Advance and Fourth Amendment to Mortgage and Security Agreement dated as of November 8, 2013 (collectively, the "Mortgage"). Pursuant to the Mortgage, the Corporation has granted a mortgage lien upon and security interest in the Mortgaged Property (as defined in the Mortgage), subject only to Permitted Encumbrances (as defined in the Mortgage).

The Corporation shall enter into a Notice of Future Advance and Fifth Amendment to Mortgage and Security Agreement dated as of February 1, 2015 to grant to the Master Trustee a parity interest in the Mortgaged Property on behalf of the Holders, subject to the Mortgage Release.

(b) Mortgage Release. The Corporation shall be permitted to release and satisfy the Mortgage, and the Master Trustee agrees to execute documents to effectuate the Mortgage Release upon evidence of the payment in full of the Prior Bonds and the written request of the Corporation for the Mortgage Release.

(c) Negative Pledge. On and after the Mortgage Release, the Corporation agrees that it shall properly execute and record the Negative Pledge Agreement and shall not grant a lien or mortgage on its real Property, except for Permitted Liens hereunder.

Section 3.13 Limitations on Creation of Liens.

The Corporation agrees that it will not create or suffer to be created or permit the existence of any Lien other than Permitted Liens.

Section 3.14 Limitations on Incurrence of Indebtedness.

The Corporation shall not incur, create, guarantee, assume or permit to exist any Indebtedness (including Guaranties or contingent obligations), however evidenced, unless after the incurrence, creation, assumption or otherwise existence of such Indebtedness, and giving effect to such Indebtedness, the Corporation would be in compliance with the financial covenant set forth in Sections 3.11 hereof at a Debt Service Coverage Ratio of not less than 1.20, and such Indebtedness is otherwise permitted under the terms and conditions of any Reimbursement Agreement or such related or similar financing or covenant agreement entered into by the Corporation. The Corporation shall be entitled to enter into Guaranties for a total amount at any time Outstanding not in excess of five percent (5%) of its Tuition Revenues (which shall not include the Ancillary Revenue Portion to the extent that such portion has been released hereunder). Any such Guaranty shall only be included and counted as Indebtedness hereunder to the extent such Guaranty is drawn on under the terms thereof.

Section 3.15 No Future Issuance Under Prior Bond Documents.

The Corporation shall not incur, create or have issued on its behalf, any "Additional Indebtedness" under the documents securing the Prior Bonds on and after the effective date of this Master Indenture. Future incurrence of indebtedness shall be under the terms and conditions of this Master Indenture. Upon the earlier redemption, maturity or other payment of the Prior Bonds, the Prior Obligations shall be satisfied and discharged and no further obligations or issuances shall be undertaken thereunder, the Corporation hereby agrees to forego and cease any such undertakings thereunder.

Section 3.16 Tuition Revenue Fund; Payments to Bond Trustee and Master Trustee.

(a) The Corporation agrees that, as long as any of the Obligations remain Outstanding or any payments under a Related Loan Agreement remain unpaid, all of the Tuition Revenues shall be deposited as soon as practicable upon receipt in a fund designated the "Tuition Revenue Fund" which the Corporation has heretofore established and currently maintains, subject to the provisions of subsection (b) of this Section, at such banking institution or institutions as the Corporation shall from time to time designate for such purpose (the "Depository Bank(s)") and shall notify the Master Trustee of such designation of Depository Bank(s). The Corporation and the Master Trustee acknowledge and recognize the provisions of (i) Section 5.2 of the Series 2005 Loan Agreement, (ii) Section 5.2 of the Series 2011 Loan Agreement, and (iii) Section 5.2 of the Series 2013 Loan Agreement (collectively, the "Prior Tuition Revenue Fund Covenant"). The Obligations issued hereunder shall be issued as permitted by the terms of the Prior Obligations as "Additional Indebtedness" thereunder defined, while the Prior Obligations remain Outstanding.

Subject only to the provisions of this Master Indenture, including but not limited to subsection (d) hereof, and while Outstanding the provisions of the Prior Obligations, permitting the application of Tuition Revenues for the purposes and on the terms and conditions set forth therein or herein, the Corporation hereby pledges, and grants a security interest to the Master Trustee (subject also to the interests of the Bond Trustee for the Prior Obligations) in, the Tuition Revenue Fund and all of the Tuition Revenues to secure the payment of the Obligations and the performance by the Corporation of its other obligations under this Master Indenture. The pledge of the Tuition Revenue Fund and all of the Tuition Revenues is on a parity with the pledge of such fund and revenues for the benefit of the Prior Obligations.

(b) The Corporation shall cause to be filed Uniform Commercial Code financing statements in form and substance satisfactory to the Master Trustee and shall execute and deliver such other documents (including, but not limited to, continuation statements) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof. The Corporation shall provide the Master Trustee at the time the Obligations are initially issued and at least once each five years thereafter (or such shorter period of time as required by law to maintain a perfected security interest therein), at least ten (10) days prior to the expiration of the current financing statement or continuation statement, with photocopies of financing and continuation statements stamped to show receipt by the Secretary of State.

(c) Amounts in the Tuition Revenue Fund may be used and withdrawn by the Corporation at any time for any lawful purpose, except as hereinafter provided in the event that the Corporation is delinquent for more than one (1) Business Day in the payment of principal of, or interest on, the Outstanding Prior Obligations or the Obligations issued hereunder (which delinquency is known by the Bond Trustee for the Prior Bonds or by any Related Bond Trustee or by the Master Trustee).

In such event, the Master Trustee or the Bond Trustee, as applicable, shall notify the Corporation and the Depository Bank(s) of such delinquency unless the Corporation pays the delinquent debt service payment within five (5) days after receipt by the Corporation of such notice, the Corporation shall cause the Depository Bank(s) to, and the Depository Bank(s) shall, in accordance with the Depository Bank Agreement(s), hold the Tuition Revenue Fund to the name and credit of the Master Trustee (for the Obligations) and for the Bond Trustee (for the Prior Obligations) and in trust for any other Additional Indebtedness on a parity therewith, as security for their respective interests in the Tuition Revenue Fund. All Tuition Revenues shall continue to be deposited in the Tuition Revenue Fund as provided in Subsection (a) of this Section, until the amounts on deposit in said Fund are sufficient to pay in full (or have been used to pay in full) all payments with respect to the Outstanding Prior Obligations or the Obligations on a parity with the Corporation's obligations hereunder and thereunder until all other Events of Default shall have been made good or cured or adequate provision shall have been made therefor. The Tuition Revenue Fund (except for the Tuition Revenues required to make such payments or cure such defaults) shall be thereafter returned to the name and credit of the Corporation. During any period that the Tuition Revenue Fund is held in the name and to the credit of the Master Trustee and the respective Bond Trustee for the Prior Bonds, funds shall be withdrawn from time to time in amounts from said Fund to make payments required of the Corporation under this Master Indenture and under of the Prior Obligations and payment with respect to the Prior Obligations and any Obligations hereunder (as certified to the Master Trustee to be due and owing by the Holder thereof) as such payments become due (whether by maturity, prepayment, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of payments with respect to the Prior Obligations and such Obligations on a parity with the Corporation's obligations hereunder ratably, according to the amounts due respectively for payments with respect to the Prior Obligations and such Obligations (as so certified), without any discrimination or preference, and thereafter to such other payments in the order which the Master Trustee, in its discretion, shall determine to be necessary or advisable, without discrimination or preference. During any period that the Tuition Revenue Fund is held in the name and to the credit of the Master Trustee, the Corporation shall not be entitled to use or withdraw any of the Tuition Revenues unless (and then only to the extent that) the Master Trustee in its sole discretion so directs for the payment of current or past due operating expenses of the Corporation.

(d) The Ancillary Revenue Portion is subject to a release from the lien on and pledge of the Tuition Revenues upon the following having occurred:

(i) During any period the University maintains credit ratings from two nationally recognized securities rating agencies, the Master Trustee shall receive written confirmation from either of such nationally recognized securities rating agency which is then maintaining a credit rating on the Corporation's Related Bonds, and during any period the University maintains credit ratings from three nationally recognized securities rating agencies, the Master Trustee shall receive written confirmation from at least two of such rating agencies, that such then in effect credit rating is confirmed, and

shall not be lowered or withdrawn as a consequence of the release of the Ancillary Revenue Portion; and

(ii) Payment has been made, or provision for payment in accordance with the Prior Obligations, of the Outstanding Prior Bonds and therefore the liens, estates and security interests granted thereto have ceased.

Upon such a release, the Master Trustee shall cooperate with the Corporation in effectuating the documentation necessary to undertake the release.

The Corporation agrees to execute and deliver any such additional Depository Bank Agreement(s) as may be required to implement this Section. The Corporation further agrees that a failure to comply with the terms of this Section shall cause irreparable harm to the Holders from time to time of the Prior Obligations, the Obligations hereunder and of Additional Indebtedness on a parity with the Corporation's obligations hereunder, and shall entitle the Master Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of the Corporation as provided in this Section.

Under the Uniform Commercial Code of the State, the pledge of Tuition Revenues and each pledge, assignment, lien or other security interest made to secure the Prior Obligations and the Obligations issued hereunder of the Corporation which, by the terms of this Master Indenture, ranks on a parity with the pledge granted under this Master Indenture, is and shall be prior to any judicial lien imposed after closing on the Tuition Revenues to enforce a judgment against the Corporation on a simple contract.

The Corporation represents and warrants that it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Tuition Revenues that ranks on a parity with or prior to the pledge granted under this Master Trust Indenture, except to secure the Prior Obligations. The Corporation represents and warrants that it should not describe the Tuition Revenues in a Uniform Commercial Code financing statement that will remain effective when the Obligations are issued, except in connection with the Prior Bonds and the foregoing pledges, assignments, liens and security interests. The Corporation shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Tuition Revenues that ranks prior to or on a parity with the pledge granted under this Master Indenture, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted under this Master Indenture.

Section 3.17 Reserve Funds.

The Corporation is permitted to provide for a debt service reserve fund or funds pursuant to the terms and provisions of a Supplement, with such fund or account to be held by the Master Trustee on behalf of a Related Bond Trustee for one series of Related Bonds or to secure more than one additional series of Related Bonds, as shall be more fully set forth in a Supplement or Supplements.

**ARTICLE IV
EVENTS OF DEFAULT AND REMEDIES**

Section 4.01 Events of Default.

Event of Default, as used herein, means any of the following events:

(a) The Corporation shall fail to make any payment of the principal of, the redemption premium, if any, or interest on any Obligation issued and Outstanding hereunder secured by an Obligation issued hereunder, or on the Prior Bonds when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of this Master Indenture or of any Supplement;

(b) The Corporation shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Master Indenture, other than as described in Section 4.01(a) for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporation by the Master Trustee, or to the Corporation and the Master Trustee by any Holder; provided, however, that if said failure is such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such thirty (30) day period and diligently pursued until the Event of Default is corrected; provided that such period shall not exceed 90 days in total;

(c) During the period the Prior Bonds are Outstanding, the Corporation shall fail duly to perform, observe or comply with any covenant or agreement on its part under the Prior Obligations which results in an event of default thereunder, after any grace period and any required written notice of such failure requiring the same to be remedied shall have been given in accordance therewith;

(d) An event of default shall occur under a Related Bond Indenture or upon a Related Bond;

(e) The Corporation shall fail to pay promptly or otherwise satisfy and discharge any Outstanding Indebtedness that is due and payable as of the date of such default, whether such Indebtedness now exists or shall hereafter be created, as and when the same becomes due and payable and any period of grace with respect thereto shall have expired, or another event of default as defined in any instrument, indenture or mortgage evidencing or securing such Indebtedness shall occur, which event of default shall not have been waived by the holder of such instrument, indenture or mortgage, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default if the validity, amount or collectability of such Indebtedness is being contested in good faith and the Corporation establishes and maintains

reserves satisfactory to the Master Trustee for the payment of such Indebtedness pending the outcome of such contest;

(f) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against the Corporation, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Corporation under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of the Corporation or of any substantial part of the Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(g) The institution by the Corporation of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of the Corporation or of any substantial part of the Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Corporation in furtherance of any such action.

Section 4.02 Acceleration; Annulment of Acceleration.

(a) Upon its receipt of notice of the occurrence of any Event of Default hereunder, the Master Trustee shall give notice of the occurrence to all Holders and to the Bond Trustee of the Prior Bonds and request instructions from each such Holder and from the Bond Trustee for the Prior Bonds as to whether such Holder and Bond Trustee for the Prior Bonds requests or is in agreement to allow an acceleration of the Obligation of such Holder or requests any other actions by the Master Trustee. Upon the earlier of either (1) receipt by the Master Trustee from all Holders and from the Bond Trustee for the Prior Bonds of acknowledgement of the occurrence of the Event of Default hereunder and instructions to accelerate or (2) the passage of twenty days following the giving of notice to all of the Holders and the receipt by the Master Trustee of instructions to accelerate by at least 66 2/3% of the collective Holders of the total par amount of the Obligations and the total par amount of the Prior Bonds, the Master Trustee shall, with notice to the Corporation, declare the Obligations to be immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of this Master Indenture to the contrary notwithstanding; provided, however, that if the terms of any Supplement give a Person the right to consent to acceleration of the Obligations issued pursuant to said Supplement, the Obligations issued pursuant to such Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplement. In the event that the Holder of any Obligation or the Bond Trustee for the Prior Bonds fails to give the Master Trustee an acknowledgement of receipt of the notice of the occurrence of an Event of Default and

instructions to accelerate the Obligation of such Holder, then such Holder or Bond Trustee will be deemed not to have requested an acceleration. In the event any Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued on such principal amount to the date of payment of such principal.

(b) At any time after an Obligation shall have been declared to be immediately due and payable and before the final payment thereof or the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, if (i) the Corporation has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest and all principal or redemption prices then due (other than the principal then due only because of such declaration) of such Obligation; (ii) the Corporation has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee then due and payable; (iii) all other amounts then due and payable by the Corporation hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of such Obligations then due only because of such declaration) shall have been remedied, then the Master Trustee shall annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

(c) The provision in subsection (a) of this Section 4.02 regarding the instructions to accelerate being given by the Holders of at least 66 2/3% of the total par amount of the Obligations Outstanding shall be automatically reduced to a percentage of at least 51% on and after the date the Prior Bonds are no longer Outstanding.

Section 4.03 Additional Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of any Holder, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;
- (ii) suit upon all or any part of the Obligations;
- (iii) civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders; and

(v) enforcement of any other right of the Holders conferred by law or hereby.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by any Holder, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of the Holders not making such request.

Section 4.04 Application of Moneys after Default.

During the continuance of an Event of Default all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article, after payment of (i) the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee with respect thereto and all other fees and expenses of the Master Trustee under this Master Indenture and (ii) in the sole discretion of the Master Trustee, the payment of the expenses of operating the Corporation, shall be applied as follows:

(a) Unless the principal of any Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of any Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon all Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any

Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master 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 Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master 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 Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid or provided for, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Corporation, their respective successors, or as a court of competent jurisdiction may direct.

Section 4.05 Remedies Not Exclusive.

No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

Section 4.06 Remedies Vested in the Master Trustee.

All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.04, any recovery or judgment shall be for the equal benefit of the Holders.

Section 4.07 Holders' Control of Proceedings.

If an Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, any Holder shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Obligation owned by such Holder or the agreement, indenture or other instrument secured thereby, provided that such direction is not in conflict with any applicable law or the provisions hereof, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Holders. Upon receipt of such an instrument by the Master Trustee, the Master Trustee shall provide immediate notice to the remaining Holders regarding the actions proposed to be taken by the Holder providing the instrument.

Section 4.08 Termination of Proceeding.

In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Corporation, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee, the Corporation and the Holders shall continue as if no such proceeding had been taken.

Section 4.09 Waiver of Event of Default.

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the Holders of all of the aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02, a

default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holder of such Obligation.

(d) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Corporation, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 4.10 Remedies Subject to Provisions of Law.

All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 4.11 Notice of Default.

Promptly after obtaining knowledge of the occurrence of any Default or any Event of Default or an Event which would constitute such an Event of Default hereunder or under any other material obligation of the Corporation, or any material adverse change in the Corporation's condition, financial or otherwise, the Corporation shall deliver or cause to be delivered to the Master Trustee and, so long as any Authority Bonds are outstanding, the Authority, a written notice specifying the nature and period of existence of such Event of Default and the action the Corporation is taking and proposes to take with respect thereto.

For purposes of this Article, the Master Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless an officer of the Master Trustee has actual knowledge thereof or unless written notice of any event which is an Event of Default is received by the Master Trustee and such notice references this Master Indenture.

The Master Trustee shall, within thirty days after it has knowledge of the occurrence of an Event of Default, mail notice to all Holders of the Event of Default known to the Master Trustee.

[Remainder of Page Intentionally Left Blank]

ARTICLE V THE MASTER TRUSTEE

Section 5.01 Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default the Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenants or obligations shall be read into this Master Indenture against the Master Trustee.

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

(c) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances.

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

(i) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer or employee of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, any other officer or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Obligations relating to the time, method and place of

conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Master Indenture; and

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

(e) Whether or not therein expressly so provided, every provision of this Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Section 5.02 Certain Rights of Master Trustee.

Except as otherwise provided in Section 5.01:

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

(b) Any request, direction or statement of the Corporation mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or any assistant secretary of the Corporation to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Master Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel or independent auditor and the written advice of such counsel or independent auditor or any Opinion of 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 reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture whether on its own motion or at the request or direction of any of the Holders pursuant to this Master Indenture which shall be in the opinion of the Master Trustee likely to involve expense or liability not otherwise provided for herein, unless one or more Holders or such Holders making such request shall have offered and furnished to the Master Trustee reasonable security or indemnity satisfactory to the Master

Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction or otherwise in connection herewith.

(f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Corporation, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

No permissive right of the Master Trustee hereunder, including the authority to enter into Supplements or take other actions, shall be construed as a duty, and the Master Trustee shall be under no obligation to take any such action or exercise any such right.

Section 5.03 Right to Deal in Obligations and Related Bonds.

The Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Bonds with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with like effect as if the Master Trustee were not the Master Trustee.

Section 5.04 Removal and Resignation of the Master Trustee.

The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, or no event has occurred or is continuing that, after notice or passage of time or both, would become an Event of Default, by an instrument in writing signed by the Corporation Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. Written notice of such resignation or removal shall be given to the Corporation, each Holder at the address then reflected on the books of the Master Trustee and, so long as any Authority Bonds are outstanding, to the Authority. A successor Master Trustee may be appointed by the Corporation Representative or the Holders at the direction of the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding; provided, however, anything in this Master Indenture to the contrary notwithstanding, if any Authority Bonds are outstanding, any successor Master Trustee so appointed shall be subject to the written approval of the Authority prior to such appointment becoming effective. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the

Master Trustee, the Corporation or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

There shall at all times be a Master Trustee hereunder, which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority, and having a combined capital and surplus of at least \$100,000,000, either directly or by a guarantee of a corporation related to the Master Trustee. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Master Trustee ceases to be eligible as above provided, it shall resign immediately in accordance with the terms of this Section 5.04.

Every successor Master Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Corporation an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each registered Holder.

Section 5.05 Compensation and Reimbursement.

The Corporation, respectively, agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee, including fees on collection and enforcement, in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses

and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

These obligations of the Corporation to pay said amounts and the rights to indemnification of the Master Trustee shall survive the payment or defeasance of the Authority Bonds, or the removal or resignation of the Master Trustee, or the termination of this Master Indenture.

Section 5.06 Recitals and Representations.

The Corporation recitals, statements and representations contained herein, or in any Obligation (excluding the Master Trustee's authentication on the obligations) shall be taken and construed as made by and on the part of the Corporation and not by the Master Trustee, and the Master Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Obligations, or the validity or sufficiency of insurance to be provided. The Master Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Master Trustee of written notice of a default or an Event of Default from the Corporation or any Holder.

[Remainder of Page Intentionally Left Blank]

ARTICLE VI SUPPLEMENTS AND AMENDMENTS

Section 6.01 Supplements Not Requiring Consent of Holders.

The Corporation, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission herein which shall not materially and adversely affect the interests of the Holders;
- (b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders based upon such determinations as are deemed necessary by the Master Trustee;
- (c) to grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a);
- (d) to qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect;
- (e) to create and provide for the issuance of Obligations as permitted hereunder;
- (f) to comply with the provisions of any federal or state securities law;
- (g) to make any changes necessitated by changes in Generally Accepted Accounting Principles which shall not materially and adversely affect the interests of the Holders, based upon the determinations as are deemed necessary by the Master Trustee;
- (h) to provide for the Mortgage Release; and
- (i) to make any other change that will not materially and adversely affect the interests of the Holders based upon the determinations as are deemed necessary by the Master Trustee.

Section 6.02 Supplements Requiring Consent of Holders.

- (a) Other than Supplements referred to in Section 6.01 and subject to the terms and provisions and limitations contained in this Article, and not otherwise, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Obligations then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Corporation and the Master

Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

- (i) effect a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;
- (ii) permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding;
- (iii) reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding; or
- (iv) reduce the percentage of Holders required to give instructions to accelerate the Obligations other than as provided in Section 4.02 hereof.

(b) If at any time the Corporation shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or any assistant secretary, and the proposed Supplement, the Master Trustee shall, at the expense of the Corporation, cause notice of the proposed execution of such Supplement to be mailed, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the principal corporate trust office of the Master Trustee for inspection by all Holders. The Master Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such Supplement when approved and consented to as provided in this Section. If, following such notice, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the

Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 of this Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with the Corporation a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Section 6.03 Execution and Effect of Supplements.

(a) In executing any Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby and that all conditions precedent thereto have been satisfied. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement.

(d) The covenants and agreements by the Corporation in any Supplement are supplemental to and in addition to the covenants, representations and warranties in this Master Indenture and in any Related Loan Agreement. The Corporation agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the Holder (as defined in the Related Bond Indenture) thereof, the terms and conditions under the Supplement pursuant to which an Obligation has been issued remain in full force and effect.

[Remainder of Page Intentionally Left Blank]

ARTICLE VII SATISFACTION AND DISCHARGE OF INDENTURE

Section 7.01 Satisfaction and Discharge of Indenture.

If (a) the Corporation Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (b) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (c) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be defeased obligations, and if in all cases the Corporation shall also pay or cause to be paid all other sums payable hereunder by the Corporation or any thereof, then this Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Corporation, and at the cost and expense of the Corporation, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture. The Corporation, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter properly incurred by the Master Trustee in connection with this Master Indenture or such Obligations.

Section 7.02 Payment of Obligations after Discharge of Lien.

Notwithstanding the discharge of the lien hereof as in this Article provided, the Master Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided herein.

Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, redemption premium, if any, or interest on any Obligation remaining unclaimed for five (5) years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be treated as abandoned property pursuant to all applicable provisions of Florida law, and the Master Trustee shall report and remit this property if and as required by Florida law, and thereafter the Holders of any Obligations shall look only to the Master Trustee for payment as permitted by law and then only to the extent of the amounts so received, without any interest thereon, and the Master Trustee and the Corporation shall otherwise have no responsibility with respect to such money.

[Remainder of Page Intentionally Left Blank]

ARTICLE VIII
CONCERNING THE HOLDERS

Section 8.01 Evidence of Acts of Holders.

(a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders, the registered owners of Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Bonds then outstanding held by each such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds then outstanding; provided, however, if the Related Bond Indenture so provides, if at any time a letter of credit or bond insurance policy secures payment of the principal of and interest on such Related Bonds, then the provider of such letter of credit or bond insurance policy shall be deemed to be the Holders of such Related Bonds except during any period when such provider has failed to honor its obligations under such letter of credit or bond insurance policy.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing. In connection with the initial offering and sale of Related Bonds, the underwriters (or their representative) of such Related Bonds shall be deemed to be the initial Holders thereof or, if such Related Bonds so provide, may be appointed as attorney-in-fact by the initial purchasers of such Related Bonds for the purpose of consenting to any request, direction, consent or other instrument to be signed and executed by the Holders.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Master Trustee and the Corporation, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

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

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof herein specified, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision hereof upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

Section 8.02 Obligations or Related Bonds Owned by the Corporation.

In determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in any demand, direction, request, notice, consent, waiver or other action under this Master Indenture, Obligations or Related Bonds that are owned by the Corporation or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Corporation shall be disregarded and deemed not to be Outstanding or outstanding under the Related Bond Indenture, as the case may be, for the purpose of any such determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Bonds which the Trustee has actual notice or knowledge are so owned shall be so disregarded. Obligations or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Bond Indenture, as the case may be, for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee's right to vote such Obligations or Related Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Corporation. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee.

Section 8.03 Instruments Executed by Holders Bind Future Holders.

At any time prior to (but not after) the Master Trustee takes action in reliance upon evidence, as provided in Section 8.01, of the taking of any action by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action, any Holder of such an Obligation or Related Bond that is shown by such evidence to be included in Obligations the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided in Section 8.01, revoke such action so far as concerns such Obligation or Related Bond. Except upon such revocation any such action taken by the Holder of an Obligation or Related Bond in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Obligation or Related Bond which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Obligation or Related Bond, and of any Obligation or Related Bond issued in lieu thereof, whether or not any notation in regard thereto is made upon such Obligation or Related Bond. Any action taken by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action shall be conclusively binding upon the Corporation, the Master Trustee and the Holders of all of such Obligations or Related Bonds.

ARTICLE IX MISCELLANEOUS PROVISIONS

Section 9.01 Limitation of Rights; References to Prior Bonds.

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations issued hereunder is intended or shall be construed to give to any Person other than the Corporation, the Master Trustee, and the Holders hereunder any legal or equitable right, remedy or claim under or in respect to this Master Indenture or any covenants, conditions and provisions herein contained; this Master Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties mentioned in this Section. Reference to the Prior Bonds and the Prior Obligations shall be null and void on and after the time the Prior Bonds are no longer Outstanding.

Section 9.02 Severability.

If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Obligations issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 9.03 Holidays.

Except to the extent a Supplement or an Obligation provides otherwise:

(a) Subject to subsection (b) of this Section, when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a day on which banking institutions in the jurisdiction where the Corporate Trust Office is located are authorized by law to remain closed, the action may be done on the next ensuing day not a day on which banking institutions in such jurisdiction are authorized by law to remain closed with effect as though done on the day or within the time period named.

(b) When the date on which principal of or interest or premium on any Obligation is due and payable is a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 9.04 Governing Law.

This Master Indenture is a contract made under the laws of the State of Florida and shall be governed by and construed in accordance with such laws.

Section 9.05 Counterparts.

This Master Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 9.06 Immunity of Individuals.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on any Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of the Corporation, and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of Obligations issued hereunder.

Section 9.07 Binding Effect.

This instrument shall inure to the benefit of and shall be binding upon the Corporation, the Master Trustee and their respective successors and assigns subject to the limitations contained herein.

Section 9.08 Notices.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

(i) If to the Corporation, addressed to Embry-Riddle Aeronautical University, Inc., 600 S. Clyde Morris Blvd., Daytona Beach, Florida 32082 Attention: Chief Financial Officer;

(ii) If to the Master Trustee, addressed to it at Wells Fargo Bank, N.A., One Independent Drive, Suite 620, Jacksonville, Florida 32202, Attention: Corporate Trust Services; or

(iii) If to any Holder, addressed to such Holder at the address shown on the books of the Master Trustee kept pursuant hereto.

(b) The Corporation, or the Master Trustee may from time to time by notice in writing to the other and to the Holders designate a different address or addresses for notice hereunder.

Section 9.09 Consents and Approvals.

Whenever the written consent or approval of the Corporation, the Master Trustee or the Authority shall be required under the provisions of this Master Indenture, such consent or approval shall not be unreasonably withheld or delayed. Unless otherwise specified herein,

consents of the Corporation shall be executed and delivered on behalf of the Corporation by the Corporation Representative, consents of the Authority shall be executed and delivered on behalf of the Authority by the Authority Representative (as defined in the Authority Loan Agreement).

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Corporation has caused these presents be signed in its name and on its behalf and attested by its duly authorized officers and to evidence its acceptance of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officers, all of as of the day and year first above written.

EMBRY-RIDDLE AERONAUTICAL
UNIVERSITY, INC.

[SEAL]

By: 

Russell Owen, Interim
Controller

By: 

Randall B. Howard, Senior Vice President
and Chief Financial Officer

WELLS FARGO BANK, N.A., as Master Trustee

By: 

Vice President

SUPPLEMENTAL INDENTURE FOR OBLIGATION NO. 5

between

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Dated August 1, 2017

Supplementing the
Master Trust Indenture
Dated as of February 1, 2015
Between Embry-Riddle Aeronautical University, Inc.
and
Wells Fargo Bank, National Association

This SUPPLEMENTAL INDENTURE FOR OBLIGATION NO. 5, dated August 1, 2017 ("Supplement No. 5"), between EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC. (the "Corporation"), a Florida not-for-profit corporation, and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee (in such capacity, the "Master Trustee") under the Master Trust Indenture, dated as of February 1, 2015 (as supplemented by Supplemental Trust Indenture for Obligation No.1 dated as of February 1, 2015, by Supplemental Trust Indenture for Obligation No. 2 dated as of March 1, 2015, by Supplemental Trust Indenture for Obligation No. 3 dated as of June 1, 2015, by Supplemental Trust Indenture for Obligation No. 4 dated as of July 1, 2015, and as it may be hereafter amended or supplemented from time to time, collectively the "Master Indenture"), between the Master Trustee and the Corporation.

WITNESSETH:

WHEREAS, the Corporation has entered into the Master Indenture which provides for the issuance by the Corporation of its Obligations thereunder, upon the Corporation and the Master Trustee entering into an indenture supplemental to the Master Indenture to issue such Obligations; and

WHEREAS, the Volusia County Educational Facilities Authority (the "Authority"), an entity organized and existing under and by virtue of Chapter 243, Part I, Florida Statutes, and designated by law as a body corporate and politic and a public instrumentality of the State of Florida, has issued its Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2017, dated August 17, 2017 (the "Related Bonds") in the aggregate principal amount of \$46,355,000 pursuant to a Bond Indenture, dated as of August 1, 2017 (the "Related Bonds Indenture"), between the Authority and Wells Fargo Bank, National Association, as bond trustee (in such capacity, the "Related Bonds Trustee") and has loaned the proceeds thereof to the Corporation pursuant to a Loan Agreement, dated as of August 1, 2017 (as amended or supplemented from time to time in accordance with its terms, the "Loan Agreement"), between the Authority and the Corporation;

WHEREAS, the Related Bonds are to be public offered and sold and authenticated by the Related Bonds Trustee in accordance with the terms and provisions of the Related Bonds Indenture; and

WHEREAS, pursuant to the Related Bonds Indenture, the loan repayments by the Corporation under the Loan Agreement are assigned to the Related Bonds Trustee as security for payment of the Related Bonds;

WHEREAS, in order to provide for the further security of the Related Bonds, the terms upon which the Related Bond Holders have agreed to purchase the Related Bonds and the performance by the Corporation of its obligations under the Loan Agreement, the Corporation has determined to issue Obligation No. 5 to the Authority, which is assigned to the Bond Trustee to hold on behalf, and for the benefit and security of, the Related Bond Holders;

WHEREAS, all acts and things necessary to constitute this Supplement No. 5 a valid indenture and agreement according to its terms have been done and performed, and the Corporation has duly authorized the execution and delivery of this Supplement No. 5 for Obligation No. 5;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of Obligation No. 5 by the holder thereof, the Corporation covenants and agrees with the Master Trustee, for the benefit of the Related Bond Holders and any other future holders from time to time of Obligation No. 5, as follows:

Section 1. Definitions. For the purposes hereof unless the context otherwise indicates the following words and phrases shall have the following meanings:

All capitalized terms used but not otherwise defined herein shall have the meanings given such terms in the Master Indenture unless the context clearly indicates otherwise.

"Obligation No. 1" means Obligation No. 1 dated February 1, 2015 issued pursuant to Supplement No. 1.

"Obligation No. 2" means Obligation No. 2 dated March 23, 2015 issued pursuant to Supplement No. 2.

"Obligation No. 3" means Obligation No. 3 dated June 12, 2015 issued pursuant to Supplement No. 3.

"Obligation No. 4" means Obligation No. 4 dated July 17, 2015 issued pursuant to Supplement No. 4.

"Related Bonds Indenture" means the Bond Indenture, dated as of August 1, 2017, between the Authority and the Related Bonds Trustee, as amended or supplemented from time to time, securing the Related Bonds.

"Related Bonds Trustee" means Wells Fargo Bank, National Association, a national banking association, and any successor to its duties under the Related Bonds Indenture.

"Supplement No. 1" means the Supplemental Indenture for Obligation No. 1 between Corporation and the Master Trustee dated as of February 1, 2015.

"Supplement No. 2" means the Supplemental Indenture for Obligation No. 2 between Corporation and the Master Trustee dated as of March 1, 2015.

"Supplement No. 3" means the Supplemental Indenture for Obligation No. 3 between Corporation and the Master Trustee dated as of June 1, 2015.

"Supplement No. 4" means the Supplemental Indenture for Obligation No. 4 between Corporation and the Master Trustee dated as of July 1, 2015.

"Supplement No. 5" means this Supplemental Indenture for Obligation No. 5.

Section 2. Issuance of Obligation. There is hereby created and authorized to be issued Obligation No. 5 in the aggregate principal amount of FORTY-SIX MILLION THREE HUNDRED FIFTY-FIVE THOUSAND AND NO/100 DOLLARS (\$46,355,000) designated "Embry-Riddle Aeronautical University, Inc. Obligation No. 5." Obligation No. 5 shall be dated August 17, 2017, and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 5 attached hereto as Appendix A. Obligation No. 5 is issued on parity under the Master Indenture with Obligation No. 1, Obligation No. 2, Obligation No. 3, and Obligation No. 4, together with any other Obligations hereafter issued under the Master Indenture.

The aggregate principal amount of Obligation No. 5 is limited to the amount stated in this Section except for any Obligation authenticated and delivered in lieu of another Obligation as provided in Section 6 hereof with respect to any Obligation destroyed, lost or stolen, or, subject to the provisions of Section 5 hereof, upon transfer of registration of Obligation No. 5.

Section 3. Payments on Obligations; Credits. (a) The principal of and interest and any applicable redemption premium on Obligation No. 5 are payable in any lawful money of the United States of America. Except as provided in subsection (b) of this Section with respect to credits, Section 4 hereof regarding prepayment and Section 8 hereof regarding redemption, payments of the principal of, redemption premium, if any, and interest on Obligation No. 5 shall be made at the times and in the amounts specified in Obligation No. 5 by the Corporation depositing the same with or to the account of the Related Bonds Trustee at or prior to the opening of business on the day such payments shall become due or payable (or the next succeeding Business Day if such date is a Saturday, Sunday or holiday in the city in which the designated corporate trust office of the Related Bonds Trustee is located), and giving notice to the Master Trustee of each payment of principal, interest or premium on Obligation No. 5, specifying the amount paid and identifying such payment as a payment on Obligation No. 5.

(b) The Corporation shall receive credit for payment on Obligation No. 5, in addition to any credits resulting from payment or prepayment from other sources to the extent the following amounts have actually been applied for payment, as follows:

(i) On installments of interest on Obligation No. 5 in an amount equal to moneys deposited in the Bond Fund created under the Related Bonds Indenture which amounts are available to pay interest on the Related Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5.

(ii) On installments of principal on Obligation No. 5 in an amount equal to moneys deposited in the Bond Fund created under the Related Bonds Indenture which amounts

are available to pay principal of the Related Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5.

(iii) On installments of principal of and interest on, respectively, Obligation No. 5 in an amount equal to the principal amount of and interest on the Related Bonds which have been called by the Related Bonds Trustee for redemption prior to maturity and for the redemption of which sufficient amounts in cash are on deposit in the Bond Fund created under the Related Bonds Indenture or in escrow. A credit shall also be made against the installments of principal of and interest on Obligation No. 5 which would be due, but for such call for redemption, to pay principal of and interest on such Related Bonds when due.

Section 4. Prepayment of Obligation No. 5. (a) So long as all amounts which have become due under Obligation No. 5 have been paid, the Corporation may at any time and from time to time pay in advance and in any order of due dates all or part of the amounts to become due under Obligation No. 5. Prepayment may be made by payments of cash as contemplated by Section 3 hereof. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Related Bonds) shall be deposited upon receipt in the Redemption Account created under the Related Bonds Indenture and, at the request of and as determined by the Corporation, used for the redemption or purchase of Outstanding (within the meaning of that term as used in the Related Bonds Indenture) Related Bonds in the manner and subject to the terms and conditions set forth in the Related Bonds Indenture. Notwithstanding any such prepayment or surrender of Related Bonds, as long as any Related Bonds remain Outstanding (within the meaning of that term as used in the Related Bonds Indenture) or any additional payments required to be made hereunder remain unpaid, the Corporation shall not be relieved of its obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on Obligation No. 5 as provided in Section 3 hereof.

(c) The Corporation may also prepay all of its Indebtedness under Obligation No. 5 by providing for the payment of Related Bonds in accordance with Article X of the Related Bonds Indenture.

Section 5. Registration, Numbers, Negotiability and Transfer of Obligations. (a) Obligation No. 5 shall be registered on the register to be maintained by the Corporation for that purpose at the Corporate Trust Office of the Master Trustee.

(b) Upon the principal of all Obligations Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, which shall only occur as permitted under the Master Indenture, Obligation No. 5 may be transferred and such transfer registered.

(c) Obligation No. 5 shall be transferable only upon presentation of such Obligation at the Corporate Trust Office of the Master Trustee by the registered owner or by its duly authorized attorney. Such transfer shall be without charge to the owner thereof, but any taxes or

other governmental charges required to be paid with respect to the same shall be paid by the owner requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Corporation shall execute and the Master Trustee shall authenticate and deliver in exchange for Obligation No. 5 a new registered Obligation, registered in the name of the transferee.

(d) Prior to due presentment by the owner for registration of transfer, the Corporation and the Master Trustee may deem and treat the person in whose name Obligation No. 5 is registered as the absolute owner for all purposes and neither the Corporation nor the Master Trustee shall be affected by any notice to the contrary. All payments made to the registered owner shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on Obligation No. 5.

Section 6. Mutilation, Destruction, Loss and Theft of Obligation No. 5. If (a) Obligation No. 5 is surrendered to the Master Trustee in a mutilated condition, or the Corporation and the Master Trustee receive evidence to their satisfaction of the destruction, loss or theft of Obligation No. 5 and (b) there is delivered to the Corporation and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to the Corporation and the Master Trustee that Obligation No. 5 has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Corporation and the Master Trustee, the Corporation shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Obligation, a new Obligation of like principal amount, date and tenor. Every mutilated Obligation so surrendered to the Master Trustee shall be cancelled by it and delivered to, or upon the order of, the Corporation. If any such mutilated, destroyed, lost or stolen Obligation has become or is about to become due and payable, such Obligation may be paid when due instead of delivering a new Obligation.

Section 7. Execution and Authentication of Obligation. Obligation No. 5 shall be manually executed for and on behalf of the Corporation by Corporation Representatives. If any officer whose signature appears on Obligation No. 5 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Obligation No. 5 shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication Obligation No. 5 shall not be entitled to the benefits hereof.

Section 8. Right to Redeem. Obligation No. 5 shall be subject to redemption, in whole or in part, prior to the maturity, in an amount equal to the principal amount of any Related Bonds (i) called for redemption pursuant to the Related Bonds Indenture, or (ii) purchased for cancellation by the Related Bonds Trustee. Obligation No. 5 shall be subject to redemption on the date any Related Bonds shall be so redeemed or purchased, and in the manner provided herein.

Section 9. Partial Redemption of Obligation No. 5. Upon the call for redemption, and the surrender of, Obligation No. 5 for redemption in part only, the Corporation shall cause to be executed and the Master Trustee shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Corporation, a new Obligation in principal amount equal to the unredeemed portion of the surrendered Obligation, which surrendered Obligation shall be cancelled by the Master Trustee and delivered to, or upon the order of, the Corporation.

The Corporation may agree with the Holder of Obligation No. 5 that such Holder may, in lieu of surrendering such Obligation for a new fully registered Obligation, endorse on such Obligation a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of such Obligation, and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Obligation by the owner thereof and irrespective of any error or omission in such endorsement.

Section 10. Effect of Call for Redemption. On the date designated for redemption of the Related Bonds, Obligation No. 5 shall become and be due and payable in an amount equal to the redemption or purchase price to be paid by the Corporation on the Related Bonds on such date. If on the date fixed for redemption of Obligation No. 5 moneys for payment of the redemption or purchase price and accrued interest on the Related Bonds are held by the Related Bonds Trustee, interest on Obligation No. 5 shall cease to accrue and said Obligation No. 5 shall cease to be entitled to any benefit or security under the Master Indenture to the extent of said redemption and the amount of Obligation No. 5 so called for redemption shall be deemed paid and no longer Outstanding.

Section 11. Discharge of Supplement. Upon payment by the Corporation of a sum, in cash or Defeasance Obligations (as set forth in Section 10.2 of the Related Bonds Indenture), or both, sufficient, together with any other cash and Defeasance Obligations held by the Related Bonds Trustee and available for such purpose, to cause all Outstanding Related Bonds to be deemed to have been paid within the meaning of Section 10.01 of the Related Bonds Indenture and to pay all other amounts referred to in the Related Bonds Indenture, accrued and to be accrued to the date of discharge of the Related Bonds Indenture, Obligation No. 5 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture and this Supplement No. 5 shall be discharged.

Section 12. Tax-Exempt Status. The Corporation hereby covenants that, so long as all amounts due or to become due on any Related Bonds have not been fully paid to the Holder (as defined in the Related Bonds Indenture) thereof, it will not take any action or fail to take any action which action or failure to act (including any action or failure to act which would result in the alteration or loss of its status as an organization described under Section 501(c)(3) of the Internal Revenue Code) would result in the interest payable on any Related Bonds which is not

includable in the gross income of the Holder thereof for federal income tax purposes becoming includable in gross income of the Holder thereof for federal income tax purposes.

Section 13. Ratification of Master Indenture. As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 14. Obligations Unconditional. The obligations of the Corporation to make payments pursuant hereto and to perform and observe all agreements on its part contained herein and, until released in accordance with the Master Indenture, in the Mortgage shall be absolute and unconditional. Until payment in full of Obligation No. 5 is made or is provided for in accordance with the Master Indenture, the Corporation (a) will not suspend or discontinue any payments hereunder or neglect to perform any of its duties required hereunder or, until released in accordance with the Master Indenture, under the Mortgage; (b) will perform and observe all of its obligations set forth in this Supplement and the Master Indenture; and (c) except as provided herein, will not terminate this Supplement or the Master Indenture for any cause. Nothing contained in this Section shall be construed to release the Corporation from the performance of any of its obligations contained herein or, until released in accordance with the Master Indenture, in the Mortgage.

Section 15. Severability. If any provision of this Supplement No. 5 shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case and any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, sections or subsections contained in this Supplement No. 5 shall not affect the remaining portions of this Supplement No. 5 or any part thereto.

Section 16. Counterparts. This Supplement No. 5 may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 17. Governing Law. This Supplement No. 5 shall be governed by and construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its name and on its behalf and attested by its duly authorized officers and to evidence its acceptance of the trusts hereby created the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officers, all as of the day and year first above written.

IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its name and on its behalf and attested by its duly authorized officers and to evidence its acceptance of the trusts hereby created the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officers, all as of the day and year first above written.

**EMBRY-RIDDLE AERONAUTICAL
UNIVERSITY, INC.**

[SEAL]

By: _____
Name: Randall B. Howard, Ph.D.
Title: Senior Vice President and Chief
Financial Officer

Attest:

By: _____
Name: Jare Alloco Allen
Title: University Comptroller

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Master Trustee**

By: _____
Authorized Signatory

APPENDIX A

[FORM OF OBLIGATION NO. 5]

Embry-Riddle Aeronautical University, Inc.
Obligation No. 5

FOR VALUE RECEIVED, Embry-Riddle Aeronautical University, Inc., a not-for-profit corporation duly incorporated and validly existing under and by virtue of the laws of the State of Florida (the "Corporation"), promises to pay to Wells Fargo Bank, National Association, or assigns, the principal sum of _____ AND NO/100 DOLLARS (\$_____), together with (a) interest thereon payable each April 15 and October 15 beginning October 1, 20__ at such rate or rates as in the aggregate will produce an amount equal to the total of all interest becoming due and payable on the Volusia County Educational Facilities Authority Educational Facilities Revenue and Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc.), Series 2017 (the "Related Bonds"), dated as of August 1, 2017, in the aggregate principal amount of \$_____ issued pursuant to a Bond Indenture, dated as of August 1, 2017 (as amended or supplemented from time to time in accordance with its terms, the "Related Bonds Indenture"), between the Authority and Wells Fargo Bank, National Association, as bond trustee (in such capacity, the "Related Bonds Trustee"), which is incorporated herein by reference and made a part hereof, and (b) such redemption premiums and other amounts as are required to be paid by the Corporation to the Authority as part of the loan payments as provided in the Loan Agreement, dated as of August 1, 2017 (as amended or supplemented from time to time in accordance with its terms, the "Loan Agreement"), between the Corporation and the Authority, which is incorporated herein by reference and made a part hereof. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Related Bonds Indenture and the Loan Agreement.

The Corporation shall receive credit for payment on Obligation No. 5, in addition to any credits resulting from payment or prepayment from other sources to the extent the following amounts have actually been applied for payment, as follows:

- (i) On installments of interest on Obligation No. 5 in an amount equal to moneys deposited in the Bond Fund created under the Related Bonds Indenture which amounts are available to pay interest on the Related Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5.
- (ii) On installments of principal on Obligation No. 5 in an amount equal to moneys deposited in the Bond Fund created under the Related Bonds Indenture which amounts are available to pay principal of the Related Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5.

(iii) On installments of principal of and interest on, respectively, Obligation No. 5 in an amount equal to the principal amount of and interest on Related Bonds which have been called by the Related Bonds Trustee for redemption prior to maturity and for the redemption of which sufficient amounts in cash are on deposit in the Redemption Fund or the Bond Fund created under the Related Bonds Indenture. A credit shall also be made against the installments of principal of and interest on Obligation No. 5 which would be due, but for such call for redemption, to pay principal of and interest on such Related Bonds when due.

This Obligation No. 5 is a single Obligation of the Corporation limited to \$_____ in principal amount, designated as "Embry-Riddle Aeronautical University, Inc. Obligation No. 5" ("Obligation No. 5" and all other Obligations issued and outstanding under the Master Trust Indenture hereinafter identified, the "Obligations"). Obligation No. 5 is issued under and pursuant to Supplemental Indenture for Obligation No. 5, dated as of August 1, 2017 ("Supplement No. 5"), supplementing the Master Trust Indenture, dated as of February 1, 2015, between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Master Trustee"). Said Master Trust Indenture, as so supplemented and amended, is hereinafter called the "Master Indenture." This Obligation No. 5, together with all other Obligations outstanding under the Master Indenture, is equally and ratably secured by the provisions of the Master Indenture.

Principal hereof, interest hereon and any applicable redemption premium, are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts. The principal hereof, premium, if any, and interest hereon shall be payable in immediately available funds by the Corporation depositing the same with or to the account of the Related Bonds Trustee at or prior to the opening of business on the day such payments shall become due and payable (or the next succeeding business day if such date is a Saturday, Sunday or holiday in the city in which the principal office of the Related Bonds Trustee is located), and giving notice of payment to the Master Trustee as provided in the Supplement No. 5.

This Obligation No. 5 is issued for the purpose of evidencing and securing the indebtedness of the Corporation resulting from the making available to the Corporation of the proceeds of the issuance and sale of the Related Bonds.

Upon surrender of Obligation No. 5 to the Master Trustee and delivery of a Substitute Obligation (as defined in the Master Indenture) to the Related Bonds Trustee, or upon payment by the Corporation of a sum, in cash or Defeasance Obligations (as defined in the Related Bonds Indenture), or both, sufficient, together with any other cash and Defeasance Obligations held by the Related Bonds Trustee and available for such purpose, to cause all Outstanding Related Bonds to be deemed to have been paid within the meaning of Section 10.01 of the Related Bonds Indenture and to pay all other amounts referred to in Section 10.01 of the Related Bonds Indenture, accrued and to be accrued to the date of discharge of the Related Bonds Indenture,

Obligation No. 5 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture.

Copies of the Master Indenture are on file at the Corporate Trust Office of the Master Trustee and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the owners of Obligations issued under the Master Indenture, the terms and conditions on which, and the purpose for which, Obligations are to be issued and the rights, duties and obligations of the Corporation and the Master Trustee under the Master Indenture, to all of which the registered owner hereof, by acceptance of this Obligation No. 5, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the covenants made therein, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligation issued under the Master Indenture over any other such Obligation except as expressly provided or permitted in the Master Indenture. Previously issued and outstanding under the Master Indenture is the Corporation's Obligation No. 1 dated as of February 1, 2015, Obligation No. 2 dated as of March 23, 2015, Obligation No. 3 dated as of June 12, 2015, and Obligation No. 4 dated as of July 17, 2017.

To the extent permitted by and as provided in the Master Indenture, modifications or changes of the Master Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Corporation and of the owners of any particular Obligation may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes which would affect the rights of the owners of this Obligation No. 5 may be made only with the consent of the owners of not less than a majority in aggregate principal amount of the Related Bonds Outstanding under the Related Bonds Indenture secured by this Obligation No. 5. No such modification or change shall be made which will (i) effect a change in the times, amounts or currency of payment of the principal of, and premium, if any, or interest on any obligation without the consent of the registered owner of such obligation; (ii) permit the preference or priority of any Obligation over any other Obligation without the consent of the registered owners of all Obligations then Outstanding; (iii) reduce the aggregate principal amount of Obligations then Outstanding the consent of the registered owners of which is required to authorize such supplement without the consent of the registered owners of all Obligations then Outstanding; or (iv) change certain requirements regarding the acceleration of the Obligation. Any such consent by the registered owners of this Obligation No. 5 shall be conclusive and binding upon such registered owner and all future owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 5. The Master Indenture provides for the release of the Mortgage securing the Obligations without any consents as further described therein.

In the manner and with the effect provided in Supplement No. 5, Obligation No. 5 will be subject to redemption in whole or in part prior to maturity, in an amount equal to the principal amount of any Related Bonds (i) called for redemption pursuant to the Related Bonds Indenture,

or (ii) purchased for cancellation. Obligation No. 5 shall be subject to redemption on the date any Related Bonds shall be so redeemed or purchased, and in the manner provided herein.

Any redemption, either in whole or in part, shall be made upon notice thereof in the manner and upon the terms and conditions provided in the Related Bonds Indenture. If this Obligation No. 5 shall have been duly called for redemption and payment of the redemption price, together with interest accrued thereon to the date fixed for redemption, shall have been made or provided for, as more fully set forth in Supplement No. 5 and the Related Bonds Indenture, interest on this Obligation No. 5 shall cease to accrue from the date fixed for redemption, and from and after such date this Obligation No. 5 shall be deemed not to be Outstanding, as defined in the Master Indenture, and shall no longer be entitled to the benefits of the Master Indenture, and the registered owner hereof shall have no rights in respect of this Obligation No. 5 other than payment of the redemption price, together with accrued interest to the date fixed for redemption.

Upon the occurrence of certain Events of Default (as defined in the Master Indenture), the principal of all Obligations then Outstanding may be declared, and the same shall become, due and payable as provided in the Master Indenture, but subject to certain restrictions as set forth in the Master Indenture.

The registered owner of this Obligation No. 5 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 5 is issuable only as a fully registered obligation. This Obligation No. 5 shall be registered on the registration books to be maintained by the Master Trustee for that purpose at its Corporate Trust Office and the transfer of this Obligation No. 5 shall be registrable only upon presentation of this Obligation No. 5 at said office by the registered owner or by his duly authorized attorney and subject to the limitations, if any, set forth in Supplement No. 5. Such registration of transfer shall be without charge to the registered owner hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the registered owner requesting such registration of transfer as a condition precedent to the exercise of such privilege. Upon any such registration of transfer, the Corporation shall execute and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 5 a new Obligation, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Corporation and the Master Trustee may deem and treat the person in whose name this Obligation No. 5 is registered as the absolute owner hereof for all purposes; and neither the Corporation nor the Master Trustee shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 5.

No covenant or agreement contained in this Obligation No. 5 or the Master Indenture shall be deemed to be a covenant or agreement of any director, officer, agent or employee of the Corporation or of the Master Trustee in his individual capacity, and no incorporator, member, officer or member of the Board of Directors of the Corporation shall be liable personally on this Obligation No. 5 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 5.

This Obligation No. 5 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 5 shall have been authenticated by execution by the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Corporation has caused this Obligation No. 5 to be executed in its name and on its behalf by its duly authorized officers all as of the ____ day of August, 2017.

**EMBRY-RIDDLE AERONAUTICAL
UNIVERSITY, INC.**

By: _____
Randall B. Howard, Ph.D. Senior Vice
President and Chief Financial Officer

Attest:

By: _____
Jare Allocco Allen, University Controller

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. 5 is one of the Obligations contemplated by the within-mentioned Master Indenture.

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**, as Master Trustee

By: _____
Authorized Signatory

[THIS PAGE INTENTIONALLY LEFT BLANK]

BOND INDENTURE

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY, AS ISSUER
AND
WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS BOND TRUSTEE**

DATED AS OF AUGUST 1, 2017

**\$46,335,000
Educational Facilities Revenue and Revenue Refunding Bonds
(Embry-Riddle Aeronautical University, Inc. Project),
Series 2017**

**BOND INDENTURE
TABLE OF CONTENTS**

	Page
ARTICLE I DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION	4
Section 1.1 Definitions.....	4
Section 1.2 Interpretation.....	11
Section 1.3 Bonds Not a General Obligation of the Issuer.	12
ARTICLE II AUTHORIZATION AND TERMS OF BONDS	13
Section 2.1 Authorization.....	13
Section 2.2 Form, Date and Payment Terms.....	13
Section 2.3 Mutilated, Destroyed, Lost and Stolen Bonds.....	15
Section 2.4 Execution and Authentication of Bonds.....	15
Section 2.5 Registration, Transfer and Exchange of the Bonds.....	15
Section 2.6 Persons Deemed Owners.....	16
Section 2.7 Non-Presentment of the Bonds.....	16
Section 2.8 Book-Entry System.....	17
ARTICLE III REDEMPTION OF THE BONDS; TRANSFERS.....	18
Section 3.1 Right to Redeem.....	18
Section 3.2 Mandatory Redemption.....	18
Section 3.3 [Reserved].....	19
Section 3.4 Optional Redemption.....	19
Section 3.5 Selection of Bonds to Be Redeemed.....	19
Section 3.6 Partial Redemption of Bonds.....	19
Section 3.7 Effect of Call for Redemption.....	19
Section 3.8 Notice of Redemption.....	19
ARTICLE IV FORM OF BONDS.....	20
Section 4.1 Form of Bonds.....	20
ARTICLE V REVENUES AND FUNDS.....	31
Section 5.1 Creation of Funds and Accounts.....	31
Section 5.2 Application of Bond Proceeds and Other Moneys.....	31
Section 5.3 Flow of Funds.....	32
Section 5.4 Investment of Moneys Held by the Bond Trustee.....	33
Section 5.5 Liability of Bond Trustee for Investment.....	34
Section 5.6 Investment Income.....	34
ARTICLE VI CERTAIN COVENANTS	35
Section 6.1 Payment of Principal and Interest	35
Section 6.2 Performance of Covenants.....	36
Section 6.3 Instruments of Further Assurance.....	36
Section 6.4 Rights Under Loan Agreement; Series 2017 Obligation.....	36
Section 6.5 Protection of Lien.....	36

Section 6.6	Inspection of Books	36
Section 6.7	Continuing Disclosure.....	36
ARTICLE VII	DEFAULT AND REMEDIES	37
Section 7.1	Events of Default.	37
Section 7.2	Acceleration; Annulment of Acceleration.	37
Section 7.3	Rights of the Bond Trustee Vis-a-vis the Issuer Concerning the Loan Agreement and the Master Trust Indenture.	38
Section 7.4	Additional Remedies and Enforcement of Remedies.	38
Section 7.5	Application of Revenues and Other Moneys After Default.....	39
Section 7.6	Remedies Not Exclusive.....	40
Section 7.7	Remedies Vested in Bond Trustee.	40
Section 7.8	Bondholders Control of Proceedings.	41
Section 7.9	Individual Bondholder Action Restricted.	41
Section 7.10	Termination of Proceedings.....	42
Section 7.11	Waiver of Event of Default.	42
Section 7.12	Notice of Default.	42
Section 7.13	Limitation of the Issuer's Liability.	43
Section 7.14	Limitations on Remedies.....	43
ARTICLE VIII	THE BOND TRUSTEE.....	43
Section 8.1	Certain Duties and Responsibilities.	43
Section 8.2	Certain Rights of Bond Trustee.	44
Section 8.3	Employment of Experts.....	46
Section 8.4	Enforcement of Performance by Others.....	46
Section 8.5	Right to Deal in Bonds and Take Other Actions.....	46
Section 8.6	Removal and Resignation of the Bond Trustee.....	46
Section 8.7	Proof of Claim.....	47
Section 8.8	Bond Trustee's Fees and Expenses.....	47
Section 8.9	Destruction of Bonds.	48
Section 8.10	Report.....	48
Section 8.11	Separate or Co-Trustee.	48
Section 8.12	Recitals and Representations.	50
ARTICLE IX	SUPPLEMENTS	50
Section 9.1	Supplements not Requiring Consent of Bondholders.	50
Section 9.2	Supplements Requiring Consent of Bondholders.	51
Section 9.3	Execution and Effect of Supplements.....	52
Section 9.4	Amendments to Loan Agreement not Requiring Consent of Bondholder.....	53
Section 9.5	Amendments to Loan Agreement Requiring Consent of Bondholders.	53
ARTICLE X	SATISFACTION AND DISCHARGE.....	54
Section 10.1	Discharge.....	54
Section 10.2	Providing for Payment of Bonds.....	54
Section 10.3	Payment of Bonds After Discharge.	55

ARTICLE XI	MISCELLANEOUS.....	55
Section 11.1	Evidence of Acts of Bondholders.....	55
Section 11.2	Limitation of Rights.	56
Section 11.3	Parties Interested Herein.....	56
Section 11.4	Severability.....	56
Section 11.5	Holidays.	56
Section 11.6	Governing Law.....	56
Section 11.7	Notices.	56
Section 11.8	Counterparts.	57
Section 11.9	Immunity of Individuals.	57
Section 11.10	Binding Effect.	57
Section 11.11	Interpretation.	57
Section 11.12	No Limitations on Actions of Issuer In Exercise of its Governmental Powers.	57

EXHIBIT A	Form of Obligation No. 5.	A-1
-----------	--------------------------------	-----

THIS BOND INDENTURE (the "*Bond Indenture*"), made and entered into as of August 1, 2017, by and between the **VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**, an entity organized and existing under and by virtue of the law of the State of Florida and designated by law as a body corporate and politic and a public instrumentality of the State of Florida (the "*Issuer*"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, being duly qualified to accept and administer the trusts created hereby (the "*Bond Trustee*"),

WITNESSETH:

WHEREAS, the Issuer was duly created and now exists under Chapter 243, Part I, the Higher Educational Facilities Authorities Law, Florida Statutes, as amended (the "*Act*"); and

WHEREAS, pursuant to the Act the Issuer is authorized to make loans to institutions of higher education (within the meaning of the Act) for the purpose of (i) financing the acquisition, construction, improvement or equipping of projects (as that term is defined in the Act) and (ii) refinancing and refunding obligations given by institutions of higher education for the costs of projects, and to issue its bonds for the purpose of financing the same; and

WHEREAS, Embry-Riddle Aeronautical University, Inc., a Florida not for profit corporation (the "*Corporation*"), owns and operates an institution for higher education located within the State of Florida (the "*State*") and the State of Arizona; and

WHEREAS, the Issuer deems it desirable and in keeping with its purposes under the Act to issue its bonds and make the proceeds thereof available to the Corporation for the purposes described herein; and

WHEREAS, pursuant to an Interlocal Agreement dated as of March 15, 1996 by and between the Issuer and the Industrial Development Authority of the County of Yavapai, Arizona (the "*Yavapai Authority*"), the Issuer has the authority to issue bonds the proceeds of which will be expended on facilities and improvements located at the Corporation's campus in Prescott, Arizona; and

WHEREAS, the Corporation has requested the Issuer to issue its Educational Facilities Revenue and Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2017 (the "*Bonds*"), the proceeds of which are to be loaned to the Corporation and used, together with other available funds, to (i) finance costs associated with the construction and equipping of a student housing facility which is approximately five stories and 144,500 square feet initially providing for 328 beds (with a portion of the space to be completed and built out by future construction), and related facilities on the Daytona Campus, finance and refinance the construction and equipping of an approximate 72,000 square foot, 3-story student housing facility of approximately 280 beds with related student facilities, together with certain additional equipment and capital improvements and renovations at the University's Prescott, Arizona campus (collectively, the "*Project*"); (ii) to refund the Issuer's Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2011 (the "*Refunded Bonds*"); and (iii) to pay the cost of issuance of the Bonds; and

WHEREAS, simultaneously with the execution of this Bond Indenture, the Corporation will execute and deliver a Loan Agreement agreeing thereby to make payments to the Issuer sufficient to pay the Bonds when due; and

WHEREAS, the Corporation has determined to also refund the remaining portion of, in order to refund in full, the Issuer's Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2011 with Available Monies; and

WHEREAS, upon the issuance of the Bonds, the Series 2011 Bonds, having been refunded and defeased in full, will enable the Corporation to release and satisfy the Mortgage as permitted under the terms of the Master Trust Indenture; and

WHEREAS, reference is hereby made to the Master Trust Indenture dated as of February 1, 2015 (the "*Original Master Indenture*"), between the Corporation and Wells Fargo Bank, National Association, as Master Trustee (the "*Master Trustee*"), as supplemented from time to time, particularly by that certain Fifth Supplemental Indenture for Obligation No. 5 dated as of August 1, 2017 between the Corporation and the Master Trustee (the "*Supplement*," and together with the Original Master Indenture, collectively referred to herein as the "*Master Indenture*"); and

WHEREAS, in order to provide security for the repayment of the Bonds, the Corporation is concurrently with the delivery hereof issuing to the Issuer its Embry-Riddle Aeronautical University, Inc. Obligation No. 5 (2017 Financing) (the "*Series 2017 Obligation*") dated August 17, 2017 in the principal amount of \$46,355,000, in the form attached hereto as Exhibit A. The principal amount of the Series 2017 Obligation is equal to the principal amount of the loan being made hereunder by the Issuer to the Corporation and the Issuer shall assign the Series 2017 Obligation to the Bond Trustee; and

WHEREAS, the Issuer deems it desirable and in keeping with its purposes under the Act to issue its Bonds and make the proceeds thereof available to the Corporation for the purposes described above; and

WHEREAS, the Bond Trustee agrees to accept and administer the trusts created hereby,

GRANTING CLAUSES

NOW, THEREFORE, THIS BOND INDENTURE FURTHER WITNESSETH: That in consideration of the premises, of the acceptance by the Bond Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the Holders (defined herein) thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Holder thereof, and in order to secure the payment of all of the Bonds at any time issued and Outstanding (defined herein) hereunder and the interest thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all of the covenants and conditions therein and herein contained, the Issuer has executed this Bond Indenture and does hereby grant a security interest in, assign, transfer,

pledge, grant and convey unto the Bond Trustee and its successors and assigns forever with power of sale the following described property:

A. All rights and interests of the Issuer in, under and pursuant to the Loan Agreement (defined herein) including all extension and renewals of the term thereof, if any; *provided* that the assignment made by this clause shall not include any assignment of any obligation of the Issuer under the Loan Agreement or any right of the Issuer thereunder (or under any other documents relating to the Bonds specifically granting rights to the Issuer) for indemnification or reimbursement or payment of costs and expenses or to receive notices or receive documents or give or withhold consents, acceptances or approvals granted to the Issuer (the "*Unassigned Rights*").

B. All right, title and interest of the Issuer in and to the Series 2017 Obligation and all sums payable in respect of the indebtedness evidenced thereby.

C. Amounts on deposit from time to time in the funds and accounts created pursuant hereto, subject to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein.

D. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Bonds, by the Issuer or by anyone in its behalf or with its written consent or by the Corporation, in favor of the Bond Trustee or the Master 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 hereof.

TO HAVE AND TO HOLD all said properties pledged, assigned and conveyed by the Issuer hereunder, including all additional property which by the terms hereof has or may become subject to the encumbrance hereof, unto the Bond Trustee and its successors in trust and its assigns forever, subject, however, to the rights reserved hereunder.

IN TRUST NEVERTHELESS, for the equal and ratable benefit and security of the Holders from time to time of the Bonds issued, authenticated, delivered and Outstanding hereunder, without preference, priority or distinction as to lien or otherwise of any of said Bonds over any other or others of said Bonds to the end that each Holder of such Bonds has the same rights, privileges and lien under and by virtue hereof; and conditioned, however, that if the Issuer shall well and truly pay or cause to be paid fully and promptly when due all liabilities, obligations and sums at any time secured hereby, and shall promptly, faithfully and strictly keep, perform or observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, then and in such event, this Bond Indenture shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereafter set forth.

ARTICLE I DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions. For the purpose hereof unless the context otherwise requires, the following words and phrases shall have the following meanings, together with the defined terms set forth in the Master Trust Indenture:

"*Act*" shall mean Chapter 243, Part I, the Higher Educational Facilities Authorities Law, Florida Statutes, as amended.

"*Act of Bankruptcy*" shall mean the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against the Issuer or the Corporation under any applicable bankruptcy, insolvency, reorganization or similar law now or hereafter in effect.

"*Additional Indebtedness*" shall mean all obligations incurred or assumed by the Corporation for payments of principal and interest with respect to money borrowed.

"*Available Monies*" shall mean any monies on deposit with a trustee for the benefit of Bondholders and the Bond Trustee which are (i) bond proceeds, (ii) amounts on deposit for a period of 124 consecutive days during which no petition in bankruptcy under the U.S. Bankruptcy Code has been filed by or against the entity, instituted under state insolvency or other laws affecting creditor's rights generally, (iii) any monies with respect to which an unqualified opinion from nationally recognized counsel has been received stating that such payments to bondholders would not constitute voidable preferences under Section 547 of the U.S. Bankruptcy Code, or similar federal laws with voidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code, or similar federal laws with voidable preference provisions by or against the entity from whom the money is received or (iv) proceeds from investment of monies qualifying as Available Monies under clause (i), (ii), or (iii) above.

"*Beneficial Owner*" shall mean the owner of a beneficial interest in the Bonds the registered owner of which is Cede & Co. as nominee of The Depository Trust Company (or a successor securities depository or nominee therefor).

"*Bond*" or "*Bonds*" shall mean the Issuer's Educational Facilities Revenue and Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2017.

"*Bond Counsel*" shall mean, initially, Bryant Miller Olive P.A., and thereafter a firm of attorneys nationally recognized by purchasers of municipal bonds as being experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds which shall be acceptable to the Issuer and approved by the Corporation.

"*Bond Fund*" shall mean the fund of that name created pursuant to Section 5.1 hereof.

"*Bond Indenture*" or "*Indenture*" shall mean this Bond Indenture, and when amended or supplemented, this Bond Indenture as amended or supplemented.

"*Bond Payment Date*" shall mean October 15, 2017 and each succeeding April 15 and October 15, until all principal of and interest on the Bonds are paid in full according to their respective terms so long as any Bonds are Outstanding.

"*Bond Trustee*" shall mean Wells Fargo Bank, National Association, a national banking association, and any successor to its duties hereunder.

"*Bond Year*" shall mean the period commencing October 16 of each year and ending October 15 of the next year.

"*Business Day*" shall mean any day of the week other than Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and shall include all regulations promulgated thereunder or under a predecessor code and which remain applicable to such Code.

"*Construction Fund*" means the fund created by Section 5.1 hereof.

"*Consultant*" shall mean an Independent firm which is a nationally recognized professional management consultant (which may be an accounting firm) selected by the Corporation and reasonably acceptable to the Bond Trustee and having the skill and experience necessary to render the particular report required by the provision hereof or the Loan Agreement in which such requirement appears.

"*Corporation*" shall mean Embry-Riddle Aeronautical University, Inc., a Florida not-for-profit corporation, and its successors.

"*Corporation Representative*" shall mean the person at the time designated to act on behalf of the Corporation by written certificate furnished to the Issuer and the Bond Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the President or the Vice-President, Chief Financial Officer. Such certificate may designate an alternative or alternates who shall have the same authority, duties and powers as such Corporation Representative.

"*Cost*" shall have the meaning specified in the Act.

"*Credit Enhancement*" shall mean the issuance of an insurance policy, letter of credit, surety bond, standby bond purchase agreement, line of credit or any other similar obligation whereby the issuer thereof becomes unconditionally obligated to satisfy all or any portion of the debt service.

"*Debt Service*" shall mean, when used with respect to the Debt Service Requirement, as of any date of calculation and with respect to any period, the sum of (a) the interest falling due on such Indebtedness during such period (exclusive of capitalized interest held by a trustee for, or other representative of, the lender and invested in Permitted Investments) plus (b) the principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Indebtedness during such period; such sum to be computed on the assumption that no portion of such Indebtedness shall cease to be

Outstanding during such period except by reason of the application of such scheduled payments.

"*Debt Service Requirement*" shall mean, for any period of time, the aggregate of the Debt Service on Outstanding Indebtedness during such period excluding Debt Service on Non-Recourse Indebtedness and Short Term Indebtedness.

"*Depository Bank Agreement*" shall mean the agreement(s) by and between the Corporation and one or more banks with whom the Corporation maintains banking relationships, in accordance with Section 3.16 of the Master Trust Indenture.

"*DTC*" shall mean The Depository Trust Company and any successor to it or any nominee of it.

"*Escrow Deposit Agreement*" means the Escrow Deposit Agreement between the Corporation, the Issuer, and the Bond Trustee (as escrow agent) dated as of August 1, 2017.

"*Event of Default*" shall mean any one of those events set forth in Section 7.1 hereof.

"*Expense Fund*" shall mean the fund of that name created pursuant to Section 5.1 hereof.

"*Facilities*" shall mean the real property of the Corporation, together with all structures and buildings now constructed and existing thereon and fixtures attached thereto.

"*Fiscal Year*" shall mean the period which begins July 1 and ends June 30 of the following year which, at present, is used by the Corporation as its fiscal year, or such other fiscal year as designated by the Corporation from time to time.

"*Government or Equivalent Obligations*" shall mean direct obligations of, or obligations the timely payment of principal of and interest on which is fully and unconditionally guaranteed by, the United States of America.

"*Governmental Unit*" shall mean a state or local governmental unit.

"*Holder*" or "*Bondholder*" or "*Owner*" or "*Registered Owner*" or "*owner*" shall mean the registered owner of any Bond.

"*Independent*" when used with respect to a firm or person shall mean a firm in which no partner holding 10% or more of the voting power (treating a shareholder of a professional corporation or association which is a partner as though such shareholder were a partner), director, officer or employee is a member, stockholder holding 10% or more of the voting shares, partner holding 10% or more of the voting power, director, officer or employee of the Corporation or any subsidiary or affiliate of the Corporation or an authority member of the Issuer.

"*Interest Account*" shall mean the account of the Bond Fund of that name created pursuant to Section 5.1 hereof.

"*Interlocal Agreement*" means the Interlocal Agreement dated as of March 15, 1996 by and between the Issuer and The Industrial Development Authority of the County of Yavapai, Arizona (the "Yavapai Authority").

"*Issuer*" shall mean the Volusia County Educational Facilities Authority and its successors.

"*Issuer Representative*" shall mean the chairman, vice chairman or the executive director of the Issuer or such other person as the Issuer may designate to act on its behalf by written certificate furnished to the Corporation and the Bond Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its chairman or vice chairman.

"*Loan Agreement*" shall mean the Loan Agreement, Series 2017 dated as of August 1, 2017 by and between the Issuer and the Corporation, and when amended or supplemented, such Loan Agreement, as amended or supplemented.

"*Master Trust Indenture*" shall be as defined in the Recitals hereof.

"*Moody's*" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "*Moody's*" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the consent of the Issuer, by notice to the Bond Trustee.

"*Obligation No. 1*" means Obligation No. 1 dated February 1, 2015 issued pursuant to Supplement No. 1.

"*Obligation No. 2*" means Obligation No. 2 dated March 23, 2015 issued pursuant to Supplement No. 2.

"*Obligation No. 3*" means Obligation No. 3 dated June 12, 2015 issued pursuant to Supplement No. 3.

"*Obligation No. 4*" means Obligation No. 4 dated July 17, 2015 issued pursuant to Supplement No. 4.

"*Opinion of Counsel*" shall mean a written opinion of an attorney or firm of attorneys acceptable to the Bond Trustee and the Corporation and, to the extent the Issuer is asked to take action in reliance thereon, the Issuer, and who (except as otherwise expressly provided herein or in the Loan Agreement) may be either Counsel for the Corporation or for the Bond Trustee.

"*Outstanding*" (a) when used with reference to the Bonds, shall mean, as of any date of Redemption, all Bonds theretofore authenticated and delivered except:

- (i) Bonds theretofore canceled by the Bond Trustee or delivered to the Bond Trustee for cancellation; or
- (ii) Bonds which are deemed paid and no longer Outstanding as provided herein; or
- (iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen or lost, unless evidence

satisfactory to the Bond Trustee has been received that any such Bond is held by a bona fide purchaser; or

(iv) For purposes of any consent or other action to be taken hereunder or under the Loan Agreement by the Holders of a specified percentage of aggregate principal amount of Bonds, Bonds held by or for the account of the Issuer, the Corporation, or any person controlling, controlled by or under common control with, either of them; and

(b) when used with reference to Indebtedness of the Corporation, shall mean, as of the date of determination, all such Indebtedness except for Indebtedness, the payment of principal of, interest and premium, if any, on which has been deposited with the lender of such Indebtedness or a representative thereof.

"*Participant*" shall mean one of the entities which is a member of the Securities Depository and deposits securities, directly or indirectly, in the book-entry system described in Section 2.8 hereof.

"*Paying Agent*" shall mean the banks or trust companies and their successors designated as the paying agencies or places of payment for the Bonds. The Bond Trustee is designated as Paying Agent for the Bonds.

"*Payments*" shall mean the installment payments of principal, redemption price and interest on the Bonds required to be paid by the Corporation as provided for in Article IV of the Loan Agreement.

"*Permitted Investments*" shall mean any of the following if and to the extent that the same are at the time legal for investment of funds of the Corporation:

- (i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- (ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) guaranteed mortgage backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development.
- (iii) Investments in (a) senior obligations of the Federal Home Loan Bank System, (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (c) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association or (d) senior debt obligations of the Student Loan Marketing Association.

(iv) U.S. dollar denominated deposit accounts and certificates of deposits issued by any bank, bank and trust company, or national banking association, which such deposits are either (i) insured by the Federal Deposit Insurance Corporation or a similar governmental agency, or (ii) with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P or "P-1" by Moody's and maturing no more than 360 days after the date of purchase (Rating on holding companies are not considered as the rating of the bank).

(v) Certificates of deposit of any bank (including the Bond Trustee), trust company or savings and loan association which certificates are fully insured by the Federal Deposit Insurance Corporation.

(vi) Commercial paper rated, at all times, P-1 or better by Moody's and/or A-1+ by S&P.

(vii) Obligations of, or obligations fully guaranteed by, any state of the United States of America or any political subdivision thereof which obligations, at all times, are rated by S&P or Moody's in at least the second to the highest rating categories (without regard to any refinement or graduation of rating category by numerical modifier or otherwise) and without regard to credit enhancement assigned by such rating agencies to obligations of that nature.

(viii) Shares in open-end and no-load fixed-income mutual funds or exchange-traded funds (ETFs) whose underlying investments would be permitted for purchase as Permitted Investments hereunder.

(ix) Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7 thereof.

"Person" shall include an individual, association, unincorporated organization, corporation, limited liability company, limited liability partnership, partnership, joint venture, or government or agency or political subdivision thereof.

"Principal Account" shall mean the account of the Bond Fund of that name created pursuant to Section 5.1 hereof.

"Prior Bonds" shall mean the Series 2011 Bonds.

"Prior Obligations" shall mean the Series 2011 Loan Agreement, which shall be satisfied in full as described herein.

"Project" means the improvements funded with the acquisition, construction, improvement, renovation and equipping of the Facilities to be financed or refinanced as described in Exhibit A to the Loan Agreement. All such property shall constitute a "project" as such term is defined in the Act.

"Record Date" shall mean, with respect to any Bond Payment Date, the first day of the calendar month of that Bond Payment Date (regardless of whether it is a Business Day), or such other date as shall be designated pursuant to Section 2.2(e) hereof.

"Redemption Account" shall mean the account of the Bond Fund of that name created pursuant to Section 5.1 hereof.

"Registrar" shall mean the Bond Trustee and its successors and assigns.

"S&P" shall mean Standard & Poor's, a division of The McGraw-Hill Companies, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the consent of the Issuer, by notice to the Bond Trustee.

"Securities Depository" shall mean DTC or its nominee and its successors and assigns, or other entity appointed as Securities Depository pursuant to Section 2.8 hereof.

"Series 2011 Bonds" or "Refunded Bonds" shall mean the portion of the Issuer's Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2011 refunded with the proceeds of the Bonds together with the remaining portion of the Series 2011 Bonds refunded with the Available Monies deposited from other sources by the Corporation pursuant to the Escrow Deposit Agreement.

"Series 2011 Loan Agreement" shall mean the Loan Agreement, between the Issuer and the Corporation dated July 1, 2011 including any supplements or amendments thereto, which Loan Agreement shall be satisfied upon the deposits into the Escrow Deposit Agreement.

"Series 2013 Bonds" shall mean the Issuer's Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2013 dated June 12, 2015 to replace the previously issued Series 2013 Bonds.

"Series 2013 Loan Agreement" shall mean the Loan Agreement, between the Issuer and the Corporation originally dated November 1, 2013 and replaced by the Loan Agreement dated June 1, 2015, including any supplements or amendments thereto.

"Series 2015A Bond" shall mean the Issuer's Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project), Series 2015A.

"Series 2015A Loan Agreement" shall mean the Loan Agreement, between the Issuer and the Corporation dated February 1, 2015 including any supplements or amendments thereto.

"Series 2015B Bond" shall mean the Issuer's Educational Facilities Revenue Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2015B.

"Series 2015B Loan Agreement" shall mean the Loan Agreement, between the Issuer and the Corporation dated March 1, 2015 including any supplements or amendments thereto.

"Series 2015C Bond" shall mean the Issuer's Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project), Series 2015C.

"Series 2015C Loan Agreement" shall mean the Loan Agreement, between the Issuer and the Corporation dated July 1, 2015 including any supplements or amendments thereto.

"State" shall mean the State of Florida.

"*Supplement*" shall mean an indenture supplementing or modifying the provisions hereof entered into by the Issuer and the Bond Trustee in accordance with Article IX hereof.

"*Tax Exemption Agreement*" shall mean the Tax Regulatory Agreement prepared by Bond Counsel and signed by an Issuer Representative, a Corporation Representative and a representative of the Bond Trustee with respect to the investment and use of proceeds of the Bonds for the purpose of compliance with the provision of Sections 103 and 148 of the Code.

"*Tuition Revenues*" shall be as defined in the Master Trust Indenture.

"*Unassigned Rights*" shall have the meaning set forth in the Granting Clauses hereof.

"*Valuation Date*" shall mean each date on which a valuation is made of monies and investments held in accordance with Section 5.4 hereof.

"*Value*" as of any particular time of determination, when used in connection with Permitted Investments, which shall be determined quarterly, means that the value of any investments shall be calculated as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Bond Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(d) as to any investment not specified above: the value thereof established by prior agreement between the Corporation and the Bond Trustee; *provided, however*, that the Bond Trustee shall be authorized to use an automatic pricing tape provided by a pricing service to value investments hereunder.

Section 1.2 Interpretation.

(a) Any reference herein to the Issuer, the Corporation, the Yavapai Authority, the Bond Trustee or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Any terms not defined herein, but defined in the Loan Agreement or the Master Trust Indenture shall have the same meaning herein.

(d) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(e) Words importing the redemption of a Bond or the calling of a Bond for redemption do not mean or include the payment of a Bond at its stated maturity or the purchase of a Bond.

(f) All financial terms herein shall have the meanings ascribed thereto under generally accepted accounting principles, with such principles in effect as of the date hereof, or if elected by the Corporation, as such principles may have been supplemented or amended as of the date of application of such term.

Section 1.3 Bonds Not a General Obligation of the Issuer.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE ISSUER WILL BE OBLIGATED TO PAY THE BONDS OR INTEREST THEREON EXCEPT FROM REVENUES, PROCEEDS AND RECEIPTS PLEDGED UNDER THIS BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA OR OF ANY POLITICAL SUBDIVISION THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NO ACT OR OMISSION TO ACT BY THE ISSUER SHALL DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA OR OF ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR ITS PAYMENT AND SUCH BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DOES NOT AND SHALL NEVER CONSTITUTE A DEBT OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA OR OF ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE STATE AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE CREDIT OR TAXING POWER OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA OR OF ANY POLITICAL SUBDIVISION OR AGENCY THEREOF. NEITHER THE MEMBERS OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF. THE ISSUER HAS NO TAXING POWER OR AUTHORITY.

ARTICLE II AUTHORIZATION AND TERMS OF BONDS

Section 2.1 Authorization. The Issuer hereby authorizes the issuance of Bonds in the aggregate principal amount of \$46,355,000 pursuant to the Act for the purpose of providing funds for the purposes stated in the preambles hereof. The Bonds so authorized shall be designated "Educational Facilities Revenue and Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2017," and shall be issued and sold in accordance herewith.

No additional Bonds may be issued hereunder. The aggregate principal amount of the Bonds which may at any time be authorized and delivered under this Bond Indenture is limited to the original principal amount specified in this Section, except for any Bond authenticated and delivered in lieu of, or upon transfer of registration or exchange of, any Bond as provided herein.

The pledge of Tuition Revenues under the Master Trust Indenture as secured by the Series 2017 Obligation secures the Payments hereunder and under the Loan Agreement as secured by the Series 2017 Obligation and such security shall be on a parity with the pledge thereof to payments under the Series 2013 Obligation dated February 1, 2015, the Series 2015A Obligation dated March 23, 2015, the Series 2015B Obligation dated June 12, 2015, the Series 2015C Obligation dated July 17, 2015, and to any payments on certain additional Indebtedness which may be incurred under the Master Trust Indenture on a parity herewith.

The Bonds issued hereunder shall meet the requirements of Fla. Stat. §189.051 prior to, or upon, their issuance.

Section 2.2 Form, Date and Payment Terms.

(a) The Bonds shall:

(i) Be dated the date of delivery, be issuable in denominations of \$5,000 each or any integral multiple thereof, and bear interest from the most recent interest payment date to which interest has been paid or for which due provision has been made or, if no interest has been paid, from August 17, 2017, payable on April 15 and October 15 of each year commencing October 15, 2017.

[Remainder of Page Intentionally Left Blank]

(ii) Mature on October 15 in the years and amounts and bear interest at rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months) as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2023	\$ 390,000	5.00%
2024	405,000	5.00
2025	375,000	5.00
2026	460,000	5.00
2027	4,680,000	5.00
2028	5,505,000	5.00
2029	4,160,000	5.00
2031	860,000	5.00
2032	940,000	5.00
2033	995,000	5.00
2034	1,045,000	5.00
2035	1,095,000	5.00
2036	1,170,000	5.00
2037	1,230,000	5.00
2042	7,195,000	5.00
2047	15,850,000	5.00

(b) Be issuable only in fully registered form and shall be numbered or otherwise designated in a manner so as to distinguish each Bond from every other Bond.

(c) Notwithstanding anything contained in this Bond Indenture to the contrary, interest on the Bonds shall be payable to the Holder in whose name such Bond is registered at the close of business on the Record Date with respect to each Bond Payment Date, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such Bond Payment Date, unless the Issuer shall default in the payment of interest due on such Bond Payment Date. In the event of any such default, such defaulted interest shall be payable to the Holder in whose name such Bond is registered at the close of business on a special Record Date for the payment of such defaulted interest established by notice mailed by the Bond Trustee to the Holders of Bonds not less than 15 calendar days preceding such special Record Date. Such notice shall be mailed to the Holders in whose name the Bonds are registered at the close of business on the fifth day preceding the date of mailing.

(d) The principal of and interest on the Bonds are payable in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts, the principal of or redemption price with respect to the Bonds shall be paid, upon surrender of the Bonds at the corporate trust office of the Bond Trustee in Jacksonville, Florida. Interest on the Bonds shall be paid to the owner of each Bond as shown on the registration books of the Issuer maintained by the Bond trustee as of the close of business on the Record Date. Interest and principal shall be paid by check mailed to the Bondholder or by wire transfer of funds to a bank account designated by the Bondholder; *provided* that in the case of such payments to the owner of less than \$1,000,000 in aggregate

principal amount of Bonds, such payments shall be made by check payable to the Bondholder. Whenever a payment on the Bonds is paid by check, such check may be mailed by first class mail by the Bond Trustee to the Bondholder on the interest payment date. The Bond Trustee shall maintain registration books with respect to the Bonds and may treat the person in whose name any Bond is registered, as shown on the registration books maintained by the Bond Trustee, as the absolute owner of such Bond for all purposes and shall not be affected by any notice to the contrary.

Section 2.3 Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Bond Trustee, or the Issuer or the Bond Trustee receives evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is provided for the Issuer and the Bond Trustee such security or indemnity as may be satisfactory to the Bond Trustee and the Issuer to hold them harmless, then, in the absence of notice to the Bond Trustee that such Bond has been acquired by a bona fide purchaser and upon the Holders paying the reasonable expenses of the Issuer and the Bond Trustee, the Issuer shall cause to be executed and the Bond Trustee shall authenticate and deliver, in exchange for such mutilated Bond or in lieu of such destroyed, lost or stolen Bond, a new Bond of like maturity, principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Bond has become or will on or before the next Bond Payment Date become due and payable, the Bond Trustee may, in its discretion, pay such Bond when due instead of delivering a new Bond.

Section 2.4 Execution and Authentication of Bonds. All Bonds shall be executed for and on behalf of the Issuer by its chairman or vice chairman and attested by its executive director. The signatures of such officers may be mechanically or photographically reproduced on the Bonds. If any officer of the Issuer whose signature appears on any Bond ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery.

Each Bond shall be manually authenticated by an authorized signatory of the Bond Trustee, without which authentication no Bond shall be entitled to the benefits hereof.

The Bond Trustee shall authenticate the Bonds for original issue and deliver them in accordance with a certificate of an Issuer Representative delivered to the Bond Trustee requesting such authentication and delivery upon payment therefor and stating the amount to be paid therefor to the Bond Trustee for the account of the Issuer.

Section 2.5 Registration, Transfer and Exchange of the Bonds.

(a) All Bonds issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the Bonds.

(b) So long as any Bonds are Outstanding, the Bond Trustee shall maintain at its offices books for the registration and transfer of the Bonds, and shall provide for the registration and transfer of any Bonds under such reasonable regulations as the Issuer or the Bond Trustee may prescribe. The Bond Trustee shall act as bond registrar for purposes of exchanging and registering Bonds in accordance with the provisions hereof.

(c) Each Bond shall be transferable only upon the registration books maintained by the Bond Trustee, by the Holders thereof in person or by his attorney duly authorized in writing, upon surrender thereof at the corporate trust office of the Bond Trustee in Jacksonville, Florida, together with a written instrument of transfer satisfactory to the Bond Trustee duly executed by the registered Holder or his duly authorized attorney. Upon surrender for transfer of any Bond, the Issuer shall cause to be executed and the Bond Trustee shall authenticate and deliver, in the name of the transferee, one or more new Bonds, of the same aggregate principal amount and maturity as the surrendered Bond.

(d) Any Bond, upon surrender thereof to the Bond Trustee together with written instructions satisfactory to the Bond Trustee, duly executed by the registered Holder or his attorney duly authorized in writing, may, at the option of the registered Holder thereof, be exchanged for an equal aggregate principal amount of Bonds with the same maturity of any other authorized denominations.

(e) All Bonds surrendered in any exchange or transfer of Bonds shall forthwith be canceled by the Bond Trustee.

(f) In connection with any such exchange or transfer of Bonds, the Holders requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer remit to the Bond Trustee an amount sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(g) The Bond Trustee shall not be obligated to exchange or register the transfer of any Bond (i) which has been called or selected for call for redemption in whole or in part or (ii) during a period of 15 days preceding the giving of a notice of redemption.

Section 2.6 Persons Deemed Owners. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal, redemption premium, if any, and interest on any Bond shall be made only to or upon the written order of the Holder thereof. Such payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the amount so paid.

Section 2.7 Non-Presentation of the Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if moneys sufficient to pay the principal of, and interest on, such Bond shall have been deposited hereunder for such payment, all liability of the Issuer to the Holders thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon, except as provided in Section 10.3 hereof, it shall be the duty of the Bond Trustee to hold such moneys, without liability for interest thereon for the benefit of the Holders of such Bond, who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond.

Section 2.8 Book-Entry System. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Bonds, and the interest on any such Bond, shall be made only to or upon the order of the Registered Owner thereto or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

A blanket letter of representation has been entered into by the Issuer with respect to DTC (the "Letter of Representation"). It is intended that the Bonds be registered so as to participate in a global book-entry system with DTC as set forth herein and in such Letter of Representation. The Bonds shall be initially issued in the form of a single fully registered Bond of each maturity. Upon initial issuance, the ownership of such Bonds shall be registered by the Registrar in the name of Cede & Co., as nominee for DTC. With respect to Bonds registered by the Registrar in the name of Cede & Co., as nominee of DTC, the Issuer, the Bond Trustee, Registrar and Paying Agent shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a "Depository Participant") or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (each such person being herein referred to as an "Indirect Participant"). Without limiting the immediately preceding sentence, the Issuer, the Corporation, the Bond Trustee, Registrar and Paying Agent shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to the ownership interest in the Bonds, (b) the delivery to any Depository Participant or any Indirect Participant or any other person, other than a Registered Owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption or (c) the payment to any Depository Participant or Indirect Participant or any other person, other than a Registered Owner of a Bond as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on, the Bonds. No person other than a Registered Owner of a Bond as shown in the Bond Register shall receive a Bond certificate with respect to any Bond. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions hereof with respect to the payment of interest by the mailing of checks or drafts to the Registered Owners of Bonds appearing as Registered Owners in the registration books maintained by the Registrar at the close of business on regular record date, the name "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

In the event that (a) the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Agreement among the Issuer, the Paying Agent and DTC evidenced by the Representation Letter shall be terminated for any reason (c) the Issuer determines that it is in the best interests of the Beneficial Owners of the Bonds that they be able to obtain certificated Bonds or (d) DTC or any successor entity determines not to continue to act as a securities depository for the Bonds for use in the book-entry system, the Issuer shall notify DTC of the availability through DTC of Bond certificates

and the Bonds shall no longer be restricted to being registered in the Bond register in the name of Cede & Co., as nominee of DTC. At that time, the Issuer may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a universal book-entry system, as may be acceptable to the Issuer and the Corporation, or such depository's agent or designee, and if the Issuer does not select such alternate universal book-entry system, then the Bonds may be registered in whatever name or names Registered Owners of Bonds transferring or changing Bonds designate, in accordance with the provisions hereof. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representation.

ARTICLE III REDEMPTION OF THE BONDS; TRANSFERS

Section 3.1 Right to Redeem. The Bonds shall be subject to redemption prior to maturity at such times, to the extent and in the manner provided herein.

Section 3.2 Mandatory Redemption. The Bonds maturing on October 15, 2042 are subject to mandatory redemption in part by lot on October 15 of the years 2038 through 2042, inclusive, and are payable at maturity at the principal amount thereof plus interest accrued to the date fixed for redemption or payment, without premium, as set forth below:

<u>Maturity (October 15)</u>	<u>Principal Amount</u>
2038	\$1,300,000
2039	1,365,000
2040	1,430,000
2041	1,510,000
2042*	1,590,000

*Final Maturity

(b) The Bonds maturing on October 15, 2047 are subject to mandatory redemption in part by lot on October 15 of the years 2043 through 2047, inclusive, and are payable at maturity at the principal amount thereof plus interest accrued to the date fixed for redemption or payment, without premium, as set forth below:

<u>Maturity (October 15)</u>	<u>Principal Amount</u>
2043	\$1,670,000
2044	1,765,000
2045	1,855,000
2046	5,150,000
2047*	5,410,000

*Final Maturity

Section 3.3 [Reserved].

Section 3.4 Optional Redemption. The Bonds maturing on and after October 15, 2028 are subject to optional redemption prior to maturity at any time on and after October 15, 2027. Such redemption may be in whole or in part, from such maturity or maturities as the Corporation may determine and, if less than an entire maturity, in integral multiples of \$5,000 selected by the Bond Trustee as provided in this Bond Indenture, at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

Section 3.5 Selection of Bonds to Be Redeemed. If less than all of the Bonds of the same maturity are to be redeemed upon any redemption of Bonds hereunder, the Bond Trustee shall select the Bonds to be redeemed by lot or in such other manner as the Bond Trustee shall deem fair. In making such selection, the Bond Trustee shall treat each Bond as representing that number of Bonds of the lowest authorized denomination as is obtained by dividing the principal amount of such Bond by such denomination.

Section 3.6 Partial Redemption of Bonds. Upon the selection and call for redemption of, and the surrender of, any Bond for redemption in part only, the Issuer shall cause to be executed and the Bond Trustee shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Corporation, a new Bond or Bonds of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Section 3.7 Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Bond Trustee or Paying Agent as provided herein, interest on Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Bond Trustee or the Paying Agent and the amount of such Bonds so called for redemption shall be deemed paid and no longer Outstanding.

Section 3.8 Notice of Redemption.

(a) Whenever redemption of Bonds is to be made as directed by the Corporation the Bond Trustee shall give notice, in the name of the Issuer, of the redemption of such Bonds, which notice shall specify the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds are to be redeemed, the numbers or other distinguishing marks of such Bonds so to be redeemed, and in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price of the specified portions thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on such Bonds or portions thereof so redeemed.

(b) Such notice shall be given by mailing a copy of such notice, first class postage prepaid, not less than 30 days nor more than 45 days before the redemption date, to all Holders of any Bonds or portions of Bonds which are to be redeemed at their last address appearing upon the registry books, but failure so to mail any such notice, or a defect in such notice, as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond for which notice was properly given. Notice is deemed properly given upon the first class mailing of the notice.

(c) Any notice of redemption may contain a statement that the redemption of the Bonds on the date set for redemption is conditioned upon the occurrence of certain events to occur after the mailing of the notice but on or prior to the date set for redemption including, without limitation, the issuance of refunding obligations. If the funds for the redemption of the Bonds to be redeemed have not been irrevocably deposited with the Bond Trustee on or prior to the date of the notice of redemption, such notice shall state that such redemption is subject to the deposit of funds by the Corporation.

(d) In addition to the foregoing notice, further notice shall be given by the Bond Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed:

(i) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (1) the CUSIP numbers of all Bonds being redeemed; (2) the date of issue of the Bonds as originally issued; (3) the rate of interest borne by each Bond being redeemed; (4) series designation and the maturity date of each Bond being redeemed; and (5) any other descriptive information needed to identify accurately the Bonds being redeemed; and

(ii) Each further notice of redemption shall be sent at least 30 days before the redemption date by mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York and Midwest Securities Trust Company of Chicago, Illinois; and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

**ARTICLE IV
FORM OF BONDS**

Section 4.1 Form of Bonds. The Bonds shall be in substantially the form set forth herein with such omissions, insertions and variations as are consistent with the provisions hereof and are approved by those officers executing such Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval:

(Form of Bond)

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY
EDUCATIONAL FACILITIES REVENUE AND REVENUE REFUNDING BONDS
(EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC. PROJECT)
SERIES 2017**

No: R-_____ \$ _____

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE ISSUER OR THE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Interest Rate	Maturity Date	Original Issue Date	CUSIP
_____%	October 15, 20__	August __, 2017	_____

Registered Owner: CEDE & CO.

Principal Amount:

THE VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY (the "Issuer") a body corporate and politic and a public instrumentality created and existing under the laws of the State of Florida, for value received hereby acknowledges itself obligated to, and promises to pay to the Registered Owner identified above, or registered assigns, but only out of the sources pledged for that purpose as hereinafter provided, and not otherwise, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid balance of said sum from the most recent interest payment date to which interest has been paid or for which due provision has been made or, if no interest has been paid, from the paid or issue date set forth above, at the rate of interest per annum set forth above payable on April 15 and October 15 of each year commencing October 15, 20__, until the Issuer's obligation with respect to payment of the principal amount is discharged.

Interest is payable to the person in whose name this bond is registered at the close of business on the first day of the calendar month of each interest payment date, except that interest not duly paid or provided for when due shall be payable to the person in whose name this bond is registered at the close of business on a special record date to be fixed for the payment of overdue interest.

Principal of and interest on this bond are payable in lawful money of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts. All payments in connection herewith will be paid by Wells Fargo Bank, National Association, as trustee and paying agent (the "Bond Trustee"). Payments of interest and principal will be paid by check mailed to the Bondholders or by wire transfer of funds to a bank account designated by the Bondholder; provided that in the case of such payments to the owner of less than \$1,000,000 in aggregate principal amount of Bonds, such payments shall be made by check or draft payable to the Bondholder. Principal, when due at maturity, shall be paid upon surrender of this bond at the corporate trust office of the Bond Trustee in Jacksonville, Florida and, upon the agreement of the Bondholder and the Bond Trustee, by wire transfer of funds to a bank account designated by the Bondholder.

This bond is a special limited obligation of the Issuer payable solely from the sources and in the manner described in the Bond Indenture and the Master Trust Indenture referred to herein.

This bond is one of a series of bonds of the Issuer limited in aggregate principal amount of \$_____ and designated as its Educational Facilities Revenue and Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2017 (the "Bond"), issued under the Bond Indenture dated as of August 1, 2017 (the "Bond Indenture"), by and between the Issuer and the Bond Trustee, in order to finance a loan to Embry-Riddle Aeronautical University, Inc., a Florida not-for-profit corporation (the "Corporation"), to (i) finance costs associated with the construction and equipping of a student housing facility which is approximately five stories and 144,500 square feet initially providing for approximately 328 beds (with a portion of the space to be completed and built out by future construction), and related facilities on the Daytona Campus, finance and refinance the construction and equipping of an approximate 72,000 square foot, 3-story student housing facility of approximately 280 beds with related student facilities, together with certain additional equipment and capital improvements and renovations at the University's Prescott, Arizona campus; (ii) to refund a portion of the Issuer's Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2011; and (iii) to pay the cost of issuance of the Bonds;

Reference is hereby made to the Master Trust Indenture dated as of February 1, 2015 (the "Original Master Indenture"), between the Corporation and Wells Fargo Bank, National Association, as Master Trustee (the "Master Trustee"), as supplemented by a Supplemental Indenture for Obligation No. 5 dated as of August __, 2017 between the Corporation and the

Master Trustee (the "*Supplement*," and together with the Original Master Indenture, collectively referred to herein as the "*Master Indenture*"). The holder of this Bond is the beneficiary of the covenants, terms and conditions contained in the Master Indenture as additional security for the payment of the principal of, redemption premium, if any, and interest on this Bond.

In order to provide security for the repayment of this Bond, the Corporation is concurrently with the delivery hereof issuing to the Issuer its Embry-Riddle Aeronautical University, Inc. Obligation No. 5 (2017 Financing) (the "*Series 2017 Obligation*") dated August __, 2017 in the principal amount of \$_____. The principal amount of the Series 2017 Obligation is equal to the principal amount of the loan being made hereunder by the Issuer to the Corporation and the Issuer shall assign the Series 2017 Obligation to the Bond Trustee.

Under a Loan Agreement dated as of August 1, 2017 (the "*Loan Agreement*"), by and between the Issuer and the Corporation, the Corporation has agreed to make installment payments in amounts and at the times necessary to make all payments of principal and interest due on the Bonds as and when due. By the Bond Indenture, the Issuer has assigned and pledged to the Bond Trustee, for the ratable benefit of the owners of the Bonds, the Issuer's interest in the Loan Agreement, subject to the reservation by the Issuer of certain Unassigned Rights and to the Series 2017 Obligation. The Corporation's obligations under the Master Trust Indenture are secured by a pledge of Tuition Revenues.

The pledge of Tuition Revenues in the Master Trust Indenture for the payment of the Series 2017 Obligation shall be on a parity with the pledge in the Series 2013 Obligation securing the Series 2013 Bonds, the Series 2015A Obligation securing the Series 2015A Bonds, the Series 2015B Obligation securing the Series 2015B Bond, the 2015C Obligation securing the Series 2015C Bonds, and any payments on certain additional Indebtedness which may be incurred under the Master Trust Indenture.

Pursuant to an Interlocal Agreement dated as of March 15, 1996 by and between the Issuer and the Industrial Development Authority of the County of Yavapai, Arizona (the "*Yavapai Authority*"), the Issuer has the power to finance and refinance the Corporation's projects on the Embry-Riddle Prescott, Arizona campus.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE ISSUER WILL BE OBLIGATED TO PAY THE BONDS OR INTEREST THEREON EXCEPT FROM REVENUES, PROCEEDS AND RECEIPTS PLEDGED UNDER THE BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA OR OF ANY POLITICAL SUBDIVISION THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NO ACT OR OMISSION TO ACT BY THE ISSUER SHALL DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA OR OF

ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR ITS PAYMENT AND SUCH BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DOES NOT AND SHALL NEVER CONSTITUTE A DEBT OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA OR OF ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE STATE AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE CREDIT OR TAXING POWER OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA OR OF ANY POLITICAL SUBDIVISION OR AGENCY THEREOF. NEITHER THE MEMBERS OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF. THE ISSUER HAS NO TAXING POWER OR AUTHORITY.

Counterparts or copies of the Bond Indenture, the Master Trust Indenture, and the other documents referred to herein are on file at the corporate trust office of the Bond Trustee in Jacksonville, Florida, and reference is hereby made thereto and to the documents referred to therein for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the Issuer, the Bond Trustee, the Corporation and the Registered Owners of the Bonds under such documents, to all of which the Registered Owner hereof, by acceptance of this Bond, assents.

The Bonds are subject to redemption prior to maturity, as provided in the Bond Indenture, as described in the following lettered paragraphs:

(a) The Bonds maturing on October 15, 20__ are subject to mandatory redemption in part by lot on _____ of the years 20__ through 20__, inclusive, and are payable at maturity at the principal amount thereof plus interest accrued to the date fixed for redemption or payment, without premium, as set forth below:

Maturity (October 15)Principal Amount

*

*Final Maturity

(b) The Bonds maturing on and after October 15, 20__ are subject to optional redemption prior to maturity in whole or in part at any time on and after _____, 20__, and if in part, from such maturity or maturities as the Corporation may determine, and if less than an entire maturity, in integral multiples of \$5,000 selected by the Bond Trustee as provided in the Bond Indenture, at the redemption price of __%), plus accrued interest to the redemption date.

Maturity (October 15)Principal Amount

*

*Final Maturity

Notice of redemption, when required, shall be mailed by first class mail not less than 30 nor more than 45 days prior to the date set for redemption to each Registered Owner of a Bond to be so redeemed at the address shown on the books of the Bond Trustee, but failure so to mail any such notice or any defect in such notice as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. On the specified redemption date all Bonds called for redemption shall cease to bear interest and shall no longer be secured by the Bond Indenture provided funds for redemption are on deposit at the place of payment at that time.

Any notice of redemption may contain a statement that the redemption of the Bonds on the date set for redemption is conditioned upon the occurrence of certain events to occur after

the mailing of the notice but on or prior to the date set for redemption including, without limitation, the issuance of refunding obligations.

The Registered Owner of this bond shall have no right to enforce the provisions of the Bond Indenture or to institute an action to enforce the covenants thereof, or to take any action with respect to a default hereof, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Bond Indenture.

Upon the call for redemption of this Bond in part only, including the payment of an amortization installment, the Holders shall not be required to tender this Bond for payment.

The Bond Indenture, the Master Trust Indenture and other documents referred to therein may be modified or amended to the extent permitted by and as provided therein. Certain amendments, modifications or changes which would affect the rights of the Registered Owner of the Bonds may be made only with the consent of the Registered Owner, as provided in the Bond Indenture. Any such consent by the Registered Owner of this Bond shall be conclusive and binding upon such Registered Owner and all subsequent Registered Owners thereof.

Upon the occurrence of certain Events of Default (as defined in the Bond Indenture), all Bonds may be declared immediately due and payable and thereupon shall become and be immediately due and payable as provided in the Bond Indenture, subject to the provisions regarding acceleration rights in the Bond Indenture and the Master Trust Indenture upon an Event of Default.

Bonds of this issue are issuable only in fully registered form. Subject to the limitations provided for in the Bond Indenture, this Bond may be exchanged for a like aggregate principal amount payable at maturity of Bonds of the same maturity in authorized denominations.

Bonds of this issue are transferable by the Registered Owner thereof in person or by his attorney duly authorized in writing at the corporate trust office of the Bond Trustee in Jacksonville, Florida, but only in the manner and subject to the limitations provided for in the Bond Indenture and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of the same maturity and in authorized denominations for the same aggregate principal amount payable at maturity will be issued to the transferee in exchange.

The Bond Trustee may require a Registered Owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Bond Indenture in connection with any exchange or transfer. The Bond Trustee need not exchange or register the transfer of a Bond which has been selected for redemption and need not exchange or register the transfer of any Bond for a period of 15 days before a selection of Bonds to be redeemed.

The Issuer, the Bond Trustee and any paying agent may treat the Registered Owner of this Bond as the absolute owner for the purpose of receiving payment as herein provided and for all other purposes and none of them shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in connection with the issuance of this bond have existed, have happened and have been performed in due form, time and manner as required by law.

[Remainder of Page Intentionally Left Blank]

IN TESTIMONY WHEREOF, the Issuer has caused this bond to be executed and attested by the printed facsimile signatures of its duly authorized officers, and this bond to be authenticated by the manual signature of an authorized representative of the Bond Trustee, without which authentication this bond shall not be valid nor entitled to the benefits of the Bond Indenture.

VOLUSIA COUNTY EDUCATIONAL
FACILITIES AUTHORITY

By: _____
Chairman

ATTEST:

By: _____
Executive Director

[SEAL]

TRUSTEE'S AUTHENTICATION CERTIFICATE

Date of Authentication: August __, 2017

The undersigned Bond Trustee hereby certifies that this is one of the Bonds described in the within-mentioned Bond Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Bond Trustee

By: _____
Authorized Signatory

(Form of Assignment)

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM – as tenants in common	UNIF GIFT MIN ACT –
TEN ENT – as tenants by the entireties	_____Custodian_____
	(Cust) (Minor)
JT TEN – as joint tenants with right	Under Uniform Gifts
of survivorship and not as	to Minors Act
tenants in common	_____
	(State)

Additional abbreviations may also be used, though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ (Please Print or Typewrite name and address of Transferee) whose taxpayer identification number is _____ the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated _____
Signature

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered certificate in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever. Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Trustee, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP"), The Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Signature program ("MSP").

(End of Form Bond)

ARTICLE V REVENUES AND FUNDS

Section 5.1 Creation of Funds and Accounts. Upon the issuance of the Bonds, the Bond Trustee shall create the following funds and accounts to be held in trust for the Holders:

(a) The Bond Fund, which shall contain the following accounts: (i) the Interest Account, (ii) the Principal Account; and (iii) the Redemption Account.

(b) The Construction Fund.

(c) The Expense Fund.

Section 5.2 Application of Bond Proceeds and Other Moneys.

(a) Proceeds of the sale of the Bonds in an amount equal to \$54,199,824.21 (\$46,355,000.00 par amount of the Series 2017 Bonds plus original issue premium of \$7,980,668.45 and less underwriters discount of \$135,844.24) shall be paid to the Bond Trustee against receipt therefore and such moneys shall be deposited or transferred by the Bond Trustee in the following manner:

(i) To the Construction Fund, \$_____.

(ii) To the Expense Fund, \$_____.

(iii) To the accounts held pursuant to the Escrow Deposit Agreement (to be combined with other funds provided therefore), \$_____.

(b) The Bond Trustee shall disburse moneys from time to time from the Construction Fund for the purpose of paying the Cost of the Project, but only upon receipt of a requisition for payment signed by a Corporation Representative and stating with respect to each such payment:

(i) the amount requested to be paid,

(ii) the name and address of the person to whom such payment is to be made,

(iii) a description, in reasonable detail, of the particular Cost of the Project,

(iv) that there has not been filed with or served upon the Corporation any notice of any lien, right to a lien or attachment upon or claim affecting the right of any person, firm or corporation to receive payment of the respective amount stated in such request which has not been released or will not be released simultaneously with the payment of such obligation,

(v) that such Cost is due and payable and no part thereof was included in any requisition previously filed with the Bond Trustee, and

(vi) that the purpose for which such payment is to be made is one for which Construction Fund moneys are authorized under this Bond Indenture and the Act to be expended, *i.e.*, for the acquisition or construction of a part of the Project.

(c) The Bond Trustee shall disburse moneys from the Expense Fund to the Corporation or its designees to pay, or to reimburse the Corporation for, any and all costs and expenses relating to the issuance, sale and delivery of the Bonds, including, but not limited to, all fees and expenses of legal counsel, financial consultants, rating agencies, underwriters and accountants, and trustees and the preparation and printing of the Loan Agreement, this Bond Indenture and the official statement relating to the Bonds (the "*Costs of Issuance*") upon receipt by the Bond Trustee of a certificate of a Corporation Representative requesting disbursement and stating that each item for which disbursement is requested is a proper Cost of Issuance and has not previously been paid, nor reimbursement for it made to the Corporation from, the Expense Fund. Any balance in the Expense Fund shall be transferred, when the Corporation notifies the Bond Trustee that the Costs of Issuance have been fully paid or in any event on the date which is 180 days after the date of delivery of the Bonds, to the Construction Fund.

Section 5.3 Flow of Funds. So long as any Bonds are Outstanding in each Bond Year, Payments received by the Bond Trustee shall be applied in the following manner and order of priority:

(a) *Interest Account.* The Bond Trustee shall deposit to the Interest Account, the deposits representing the interest payments made by the Corporation. Moneys in the Interest Account shall be used to pay interest on the Bonds as it becomes due.

(b) *Principal Account.* The Bond Trustee shall deposit to the Principal Account, the deposits representing the principal payments made by the Corporation. Moneys in the Principal Account shall be used to retire the Bonds by payment at their scheduled maturity or upon mandatory redemption in advance thereof.

(c) The Bond Trustee shall notify the Corporation in writing of the amount of the Payment due under the Loan Agreement no later than the fifteenth day of each March and September.

(d) *Redemption Account.* If the Corporation makes an optional prepayment of any installment of principal under the Loan Agreement, the amount so paid shall be credited to the Redemption Account and applied promptly by the Bond Trustee, first, to cause the amounts credited to the Interest Account and the Principal Account, in that order, to be not less than the amounts then required to be credited thereto and, then, to retire the Bonds by optional redemption or purchase in accordance with the Corporation's directions. Any such purchase shall be made at the best price obtainable with reasonable diligence and no Bond shall be so purchased at a cost or price (including brokerage fees or commissions or other charges) which exceeds the principal amount of such Bond, applicable redemption premium, if any, plus accrued interest to the date of purchase.

Upon receipt by the Bond Trustee of moneys accompanied by a certificate of a Corporation Representative stating that such moneys are to be applied to redeem Bonds in accordance with Section 3.4 hereof, the Bond Trustee shall credit such moneys to the Redemption Account and apply such moneys to redeem Bonds in accordance with Section 3.4 hereof as called for in the certificate of the Corporation Representative. Any balance remaining

in the Redemption Account after the purchase or redemption of Bonds in accordance with the Corporation's directions shall be transferred to the Interest Account.

Section 5.4 Investment of Moneys Held by the Bond Trustee.

(a) Moneys in all funds and accounts held by the Bond Trustee (the "*Funds and Accounts*") shall be invested by the Bond Trustee, as soon as possible upon receipt of immediately available funds at its corporate trust office in Jacksonville, Florida, to the fullest extent possible in Permitted Investments as directed, in writing, by the Corporation, or, in the absence of direction by the Corporation in the money market fund constituting a Permitted Investment preselected by the Corporation for such investment; provided that, the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof. To the extent the Bond Trustee invests moneys pursuant to instructions by the Corporation, the Bond Trustee shall have no responsibility to determine maturities of investments.

Investments shall be valued by the Bond Trustee not less often than quarterly, and not more often than monthly, at the Value thereof. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored not later than the succeeding valuation date.

(b) Amounts credited to a Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each Fund or Account for which the joint investment is made and (ii) the Bond Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein.

(c) The Bond Trustee may make any investment permitted by this Section, through or with its own commercial banking or investment departments unless otherwise directed by the Corporation.

(d) Except as otherwise specifically provided herein, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein shall be valued as provided in the definition of "Value" contained in Article I hereof.

(e) The Bond Trustee shall sell at the best price reasonably obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made.

(f) The Issuer shall not use or direct the use of any proceeds of the Bonds or any funds of the Issuer, directly or indirectly, to acquire any securities or obligations, and shall not use or direct the use of any amounts received by the Issuer or the Bond Trustee with respect to this Indenture in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the

Code or an obligation which is "federally guaranteed" within the meaning of Section 149(b) of the Code. The Issuer (or any "related person" thereto as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase Bonds and shall comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the Issuer is of the opinion that for purposes of this subsection (i) it is necessary to restrict or to limit the yield on the investment of any moneys held by the Bond Trustee under this Indenture, the Issuer shall so instruct the Bond Trustee under this Indenture in writing, and the Bond Trustee shall take such action as may be necessary in accordance with such instructions.

(i) The Issuer and the Corporation each specifically covenant to comply with the provisions and procedures of the Tax Exemption Agreement and the Bond Trustee agrees to comply with all instructions received from the Issuer or the Corporation given pursuant to the Tax Exemption Agreement and not inconsistent with this Indenture or the Loan Agreement. The Bond Trustee may conclusively rely on any Investment directed by the Corporation as being permitted by Tax Exemption Agreement and by this Section.

(ii) The Issuer shall not use or direct the use of any proceeds of the Bonds or any funds of the Issuer, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in the Bonds being treated as an obligation not described in Section 103(a) of the Code by reason of classification of such Bond as a "private activity bond" which is not a "qualified 501(c)(3) bond" within the meaning of Section 141 of the Code. Not more than two percent of the proceeds of the Bonds shall be used to pay the Costs of Issuance.

(g) Notwithstanding any provision of this Section, if the Issuer shall provide to the Bond Trustee an opinion of Bond Counsel to the effect that any action required under subsection (f) is no longer required, or to the effect that some further action is required to maintain the exclusion of interest income on the Bonds from gross income for federal income tax purposes, the Bond Trustee may rely conclusively on such opinion in complying with the provisions hereof.

Section 5.5 Liability of Bond Trustee for Investment. The Bond Trustee shall not be liable for any loss resulting from the making of any investment made in accordance with the provisions hereof, except for its own negligence or willful misconduct.

Section 5.6 Investment Income. Except as otherwise provided herein, interest income and gain received, or loss realized, from investments or moneys in any Fund or Account shall be credited, or charged, as the case may be, to such respective Fund or Account. Income and gain from Redemption Account investments may be transferred to any other fund or account upon direction of the Corporation. Investment income and gain credited to the Interest Account (except as provided in the next sentence) or the Principal Account shall be a credit against the next forthcoming Payment to be deposited to such respective Account. Investment earnings from the Interest Account and the Expense Fund, if any, will be deposited in the Construction Fund during the period of the construction of the Project.

ARTICLE VI CERTAIN COVENANTS

Section 6.1 Payment of Principal and Interest. Subject to the limited sources of payment specified herein, the Issuer covenants that it will promptly pay or cause to be paid the principal of and interest on the Bonds issued hereunder at the place, on the dates and in the manner provided herein and in said Bond according to the terms thereof. The principal of and interest on the Bonds are payable solely from moneys held by the Bond Trustee hereunder, all of which are hereby specifically assigned and pledged to such payment in the manner and to the extent specified herein and nothing herein or in the Bonds shall be construed as assigning or pledging any other funds or assets of the Issuer.

The pledge of Tuition Revenues under the Master Trust Indenture to secure any Payments hereunder shall be on a parity with the pledge thereof to secure payments under the Series 2013 Obligation, the Series 2015A Obligation, the Series 2015B Obligation, the Series 2015C Obligation, and to any payments on certain Additional Indebtedness which may be incurred under the Master Trust Indenture on a parity herewith.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA, NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE ISSUER WILL BE OBLIGATED TO PAY THE BONDS OR INTEREST THEREON EXCEPT FROM REVENUES, PROCEEDS AND RECEIPTS PLEDGED UNDER THE BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA OR OF ANY POLITICAL SUBDIVISION THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NO ACT OR OMISSION TO ACT BY THE ISSUER SHALL DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR ITS PAYMENT AND SUCH BOND AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT AND SHALL NEVER CONSTITUTE A DEBT OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA OR OF ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE STATE AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE CREDIT OR TAXING POWER OF THE COUNTY OF VOLUSIA, THE STATE OF FLORIDA, YAVAPAI INDUSTRIAL DEVELOPMENT AUTHORITY, THE COUNTY OF YAVAPAI, THE STATE OF ARIZONA OR OF ANY POLITICAL SUBDIVISION OR AGENCY THEREOF. NEITHER THE MEMBERS OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF. THE ISSUER HAS NO TAXING POWER OR AUTHORITY.

Section 6.2 Performance of Covenants. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein, in each and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Issuer pertaining thereto.

Section 6.3 Instruments of Further Assurance. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Bond Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Bond Trustee the Issuer's interest in and to the Payments and all other interest, revenues and receipts pledged hereby to the payment of the principal of, and interest on, the Bonds in the manner and to the extent contemplated herein.

Section 6.4 Rights Under Loan Agreement; Series 2017 Obligation. The Issuer agrees that the Bond Trustee in its own name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Corporation (except with respect to the Issuer's Unassigned Rights) including obligations under the Series 2017 Obligation for and on behalf of the Holders, whether or not the Issuer is then in default hereunder.

Section 6.5 Protection of Lien. The Issuer hereby agrees not to make or create or suffer to be made or created any assignment or lien on a parity with or having priority over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise specifically provided herein. The Issuer agrees that no obligation the payment of which is secured hereunder will be issued by it except in lieu of, or upon transfer of registration or exchange of, any Bond as provided herein.

Section 6.6 Inspection of Books. All books and records, if any, in the Issuer's possession relating to the Bonds and the Project shall at all reasonable time be open to inspection by such accountants or other agents as the Bond Trustee or the Corporation may from time to time designate.

Section 6.7 Continuing Disclosure. The Corporation has covenanted and agreed to undertake all responsibilities for compliance with any continuing disclosure requirements under Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), and the Issuer shall have no liability to the Owners of the Bonds or any other Person with respect to such disclosure matters. Neither the Issuer nor the Bond Trustee has any duty to enforce the continuing disclosure obligations of the Corporation under the Rule; however, the Issuer, the Bond Trustee or any Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under the Rule. Notwithstanding any other provision of this Indenture or the Loan Agreement, failure of the Corporation to comply with any continuing disclosure requirements shall not be an Event of Default.

**ARTICLE VII
DEFAULT AND REMEDIES**

Section 7.1 Events of Default. Each of the following is hereby declared an "Event of Default" hereunder:

(a) If payment of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) If payment of the principal on any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration pursuant to Section 7.2 hereof or otherwise;

(c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of all or any part of the interests pledged hereunder and such custody or control shall continue for more than 60 days;

(d) If the Issuer shall materially default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions on its part to be performed as provided herein or in the Bonds and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer and the Corporation by the Bond Trustee; the Bond Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer may continue to diligently pursue such corrective action until such failure is corrected for a period not to exceed an additional 60 days; or

(e) Any "Event of Default" shall occur and be continuing under the Loan Agreement or, until released in accordance with the Master Trust Indenture, the Mortgage or under the Prior Obligations. The Bond Trustee shall provide notice of any payment default and notice of any other Event of Default actually known to the Bond Trustee in the manner provided in Section 7.12 hereof.

Section 7.2 Acceleration; Annulment of Acceleration.

(a) Upon the occurrence of an Event of Default, the Bond Trustee may, but only as provided and allowed under the terms of the Master Trust Indenture governing Related Bonds, by written notice to the Issuer, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. Any acceleration of the Bonds which is not in accordance with the terms and restrictions of the Master Trust Indenture shall not be effective and shall not result in an acceleration of the Series 2017 Obligation. The Bond Trustee shall give written notice of such acceleration to the Issuer and the Corporation, and shall give notice to the Bondholders in the same manner as for a notice of redemption under Article III hereof stating the accelerated date on which the Bonds shall be due and payable.

(b) If at any time after the principal of the Bonds shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer shall deposit or cause to be deposited with the Bond Trustee a sum sufficient to pay all the principal of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Bond Trustee, and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and the Bond Trustee, or the Bond Trustee if such declaration was made by the Bond Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. Notice of such annulment shall be provided in the same manner as set forth in subsection (a) of this Section for giving notice of acceleration. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 7.3 Rights of the Bond Trustee Vis-a-vis the Issuer Concerning the Loan Agreement and the Master Trust Indenture. The Bond Trustee, as pledgee and assignee for security purposes of all the right, title and interest of the Issuer in and to the Loan Agreement and in and to the Series 2017 Obligation issued pursuant to the Master Trust Indenture shall, upon compliance with applicable requirements of law and except as otherwise set forth in this Article, be, vis-à-vis the Issuer, the real party in interest in respect of, and shall have standing to enforce each and every right granted to the Issuer (except with respect to the Issuer's Unassigned Rights) under, the Loan Agreement. The Issuer and the Bond Trustee hereby agree, without in any way limiting the effect and scope thereof, that the pledge and assignment hereunder to the Bond Trustee of any and all rights of the Issuer in and to the Loan Agreement and the Master Trust Indenture shall constitute an agency appointment coupled with an interest on the part of the Bond Trustee which, for all purposes of this Bond Indenture, shall be irrevocable and shall survive and continue in full force and effect notwithstanding the bankruptcy or insolvency of the Issuer or its default hereunder or on the Bonds. In exercising such rights and the rights given the Bond Trustee under this Article, the Bond Trustee shall take such action as, in the judgment of the Bond Trustee, would best serve the interests of the Bondholders.

Section 7.4 Additional Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Bond Trustee may, and upon the written request of the Holders of the Bonds, together with indemnification of the Bond Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Holders of the Bonds hereunder and under

the Act and the Bonds by such suits, actions or proceedings as the Bond Trustee, being advised by its counsel, shall deem expedient and shall thereafter instruct the Master Trustee regarding the enforcement of such rights of the Bonds Holder, which shall be, including but not be limited to:

- (i) civil action to recover money or damages due and owing;
- (ii) civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of the Bonds;
- (iii) enforcement of any other right of the Issuer and the Bondholders conferred by law or hereby; and
- (iv) enforcement of any other right conferred by the Loan Agreement and the Mortgage, until the Mortgage is released in accordance with the Master Trust Indenture.

(b) Regardless of the happening of an Event of Default, the Bond Trustee, if requested in writing by the Holders of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holder, provided that such request is in accordance with law and the provisions hereof.

Section 7.5 Application of Revenues and Other Moneys After Default. Subject to the provisions of Section 3.16 of the Master Trust Indenture during the continuance of an Event of Default all moneys received by the Bond Trustee or the Master Trustee pursuant to any right given or action taken under the provisions of this Article or under the Master Trust Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Bond Trustee or the Master Trustee with respect thereto and the creation of a reasonable reserve for anticipated fees, costs and expenses, be deposited in the Bond Fund, and all amounts held by the Bond Trustee hereunder shall be applied as follows:

(a) Unless the principal amount of all Outstanding Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal installments, or redemption price of any Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any

date, then to the payment thereof ratably, according to the amounts of principal installments or redemption price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal amount of all Outstanding Bond shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

(c) If the principal amount of all Outstanding Bond shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal amount of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of this Section, 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 upon which such application is to be made and upon such date interest on the amounts of principal of the Bonds to be paid on such dates 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.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Bond Trustee, the Yavapai Authority and the Issuer have been paid, any balance remaining shall be paid to the person entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the Corporation.

Section 7.6 Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Bond Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute (including the Act) on or after the date hereof.

Section 7.7 Remedies Vested in Bond Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Bond Trustee, without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding may be brought without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Section 7.5 hereof, any recovery or judgment shall be for the equal benefit of the Holders of any Outstanding Bonds.

Section 7.8 Bondholders Control of Proceedings. If an Event of Default shall have occurred and be continuing, the Holders of the Bonds then Outstanding shall have the right, at anytime, by any instrument in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof, provided that such direction is in accordance with the Master Trust Indenture, with law and the provisions hereof (including indemnity to the Bond Trustee as provided herein) and provided further that nothing in this Section shall impair the right of the Bond Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by the Bondholders or with the requirements of the Master Trust Indenture.

Section 7.9 Individual Bondholder Action Restricted.

(a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Trustee's duties and powers hereunder upon the occurrence of all of the following events:

(i) the Holders of at least 66 2/3% of the aggregate principal amount of Bonds Outstanding shall have made written request to the Bond Trustee to proceed to exercise the powers granted herein; and

(ii) such Bondholders shall have offered the Bond Trustee indemnity as provided in Section 8.2 hereof; and

(iii) the Bond Trustee shall have failed, or refused to exercise the duties or powers herein granted for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) during such 60-day period no direction inconsistent with such written request has been delivered to the Bond Trustee by the Holders of a greater majority in aggregate principal amount of Bonds then Outstanding.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holders of any Bond (i) to receive payment of the principal of or interest on such Bond, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds.

Section 7.10 Termination of Proceedings. In case any proceeding taken on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have, been determined adversely to the Bond Trustee or the Bondholders, then the Issuer, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights and powers of the Bond Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 7.11 Waiver of Event of Default.

(a) No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article may be exercised from time to time and as often as may be deemed expedient.

(b) The Bond Trustee may waive any Event of Default which in the opinion of its counsel shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Bond Trustee shall waive an Event of Default hereunder and its consequences, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding provided, however, that, except under the circumstances set forth in subsection (b) and (c) of Section 7.2 hereof, a default in the payment of the principal of, or interest on any Bonds, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding.

(d) In case of any waiver by the Bond Trustee of an Event of Default hereunder, the Issuer, the Bond Trustee and Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Bond Trustee shall not be responsible to any one for waiving or refraining from waiving any Event of Default in accordance with this Section.

Section 7.12 Notice of Default.

(a) Within 30 days after (i) the occurrence of an Event of Default under Section 7.1(a) or (b) hereof which the Bond Trustee is deemed to have notice, or (ii) receipt, in writing or otherwise, by the Bond Trustee of actual knowledge or notice of an Event of Default under Section 7.1(c), (d) or (e) hereof, the Bond Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of a Bond then Outstanding, provided that, except in the case of a default in the payment of principal installments or the redemption price of or interest on any of the Bonds, the Bond Trustee may withhold such notice to the Bondholders if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(b) The Bond Trustee shall promptly notify the Issuer and the Corporation of (i) the occurrence of an Event of Default under Section 7.1(a) or (b) hereof and (ii) when the Bond Trustee has received actual knowledge or notice, in writing or otherwise, of an Event of Default under Section 7.1(c), (d) or (e) hereof.

Section 7.13 Limitation of the Issuer's Liability. No agreements or provisions contained herein nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit, or shall obligate the Issuer financially in any way, except with respect to the funds available hereunder and their application as provided herein. No failure of the Issuer to comply with any term, covenant or agreement herein or in any document executed by the Issuer in connection with this Bond Indenture, the Loan Agreement or the Bonds, shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the funds available hereunder. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein; provided, that no costs, expenses or other monetary relief shall be recoverable from the Issuer except as may be payable from the funds available hereunder.

Section 7.14 Limitations on Remedies. It is the purpose and intention of this Article to provide rights and remedies to the Bond Trustee and the Holders of the Bonds which may be lawfully granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Bond Trustee and the Holders of the Bonds shall be entitled, as above set forth, to every other right and remedy provided in this Bond Indenture and by law.

ARTICLE VIII THE BOND TRUSTEE

Section 8.1 Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

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

(ii) in the absence of negligence on its part, the Bond Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions (including any exhibits attached to such certificates or opinions) furnished to the Bond Trustee and any other document referred to in Section 8.2(a) hereof received pursuant to the requirements of this Bond Indenture, the Loan Agreement, the Master Trust Indenture and any other document with respect to the Bonds.

(b) In case an Event of Default has occurred and is continuing, the Bond Trustee excises such of the rights and powers vested in it by this Bond Indenture, and shall use the

degree of care and skill in the conduct of his own affairs, as a prudent man would exercise or use under the circumstances.

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

(i) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(ii) the Bond Trustee shall not be liable for any error of judgment made in good faith and without negligence by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer, agent or employee of the Bond Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer, agent or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

(iii) the Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Holders of the Outstanding Bonds as provided herein relating to 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 this Bond Indenture; and

(iv) except for obligations under Sections 7.12 hereof no provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers. The Bond Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Bond Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the Corporation for all reasonable costs, expenses, attorneys' and other fees, and all other reasonable disbursements, including its own fees, and for all liability and damages suffered by the Bond Trustee in connection therewith except for the Bond Trustee's negligence or willful misconduct.

(d) Whether or not therein expressly so provided, every provision of this Bond Indenture relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Section.

Section 8.2 Certain Rights of Bond Trustee. Except as otherwise provided in Section 8.1:

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

(b) Any request or direction of the Issuer or the Corporation mentioned herein shall be sufficiently evidenced by a certificate of an Issuer Representative or a Corporation Representative, respectively, and any action of the governing board of the Issuer or the Corporation may be sufficiently evidenced by a copy of a resolution certified by the executive director of the Issuer or secretary or assistant secretary of the Corporation to have been duly adopted by the governing board of the Issuer or the Corporation and to be in full force and effect on the date of such certification and delivered to the Bond Trustee.

(c) Whenever in the administration of this Bond Indenture the Bond Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Bond Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of an Issuer Representative or a Corporation Representative, respectively.

(d) The Bond Trustee may consult with counsel chosen through the exercise of reasonable care and follow the written advice of such counsel or any Opinion of Counsel which 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 reliance thereon.

(e) Except for the Bond Trustee's obligation to make principal and interest payments and to declare the acceleration of the Bonds and except as otherwise expressly required herein, the Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request or direction of any of the Bondholders pursuant to this Bond Indenture, unless such Bondholder shall have provided to the Bond Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Bond Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(g) The Bond Trustee may engage agents and attorneys to assist it in executing any of the trusts or powers hereunder or performing any duties hereunder and the Bond Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due cause by it.

(h) The Bond Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Bond Indenture.

(i) In the event the Bond Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of beneficial owners of Bonds, each representing less

than a majority in aggregate principal amount of the Outstanding Bonds, pursuant to the provisions of this Bond Indenture, the Bond Trustee, in its sole discretion, may determine what action, if any, shall be taken.

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

Section 8.3 Employment of Experts. The Bond Trustee is hereby authorized to employ as its agents, such attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Bond Trustee), as it may deem necessary to assist it to carry out any of its obligations hereunder, and shall be reimbursed by the Corporation for all actual out-of-pocket expenses and reasonable charges in so doing.

Section 8.4 Enforcement of Performance by Others. It shall not be the duty of the Bond Trustee, except as herein expressly provided, to see that any duties and obligations herein imposed upon the Issuer or the Corporation are performed.

Section 8.5 Right to Deal in Bonds and Take Other Actions. The Bond Trustee may in good faith buy, sell or hold and deal in any Bonds with like effect as if it were not such Bond Trustee and may commence or join in any action which a Holder is entitled to take with like effect as if the Bond Trustee were not the Bond Trustee. It is understood and agreed that the Bond Trustee engages in a general banking business and no provision hereof or of the Loan Agreement is to be construed to limit or restrict the right of Bond Trustee to engage in such business with the Issuer, the Corporation, or any Holder. So engaging in such business shall not, in and of itself, and so long as the Bond Trustee duly performs all of its duties as required hereby and by the Loan Agreement, constitute a breach of trust on the part of the Bond Trustee, but neither shall engaging in such business abrogate, alter or diminish any duty or obligation of the Bond Trustee as Bond Trustee hereunder.

Section 8.6 Removal and Resignation of the Bond Trustee. The Bond Trustee may resign at any time, or may be removed at any time (i) by an instrument or instruments in writing signed by the Holders of the Bonds or (ii) by the Issuer, at the direction of the Corporation, *provided* that there does not exist any default under this Bond Indenture or under the Loan Agreement, by an instrument filed with the Bond Trustee appointing a successor to the Bond Trustee so removed. Written notice of such resignation shall be given by the Bond Trustee to the Issuer and the Corporation or of removal by the Corporation to the Bond Trustee and such resignation or removal shall take effect only upon the appointment and qualification of a successor Bond Trustee. In the event a successor Bond Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Bond Trustee, the Issuer, the Holders or the Corporation may apply to any court of competent jurisdiction for the appointment of a successor Bond Trustee to act until such time as a successor is appointed as provided in this Section.

In the event of the resignation or removal of the Bond Trustee or in the event the Bond Trustee is dissolved or otherwise becomes incapable to act as the Bond Trustee, the Issuer shall be entitled to appoint a successor Bond Trustee acceptable to the Corporation.

If the Holders of a majority in aggregate principal amount of Bonds then Outstanding object to the successor Bond Trustee so appointed by the Issuer and if such Holders designate another person qualified to act as the Bond Trustee, the Issuer shall then appoint as the Bond Trustee the person so designated by the Holders.

Notwithstanding any other provision of this Bond Indenture, no removal, resignation or termination of the Bond Trustee shall take effect until a successor shall be appointed, unless such successor shall be appointed by a court of competent jurisdiction.

Every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000.

Every successor Bond Trustee whosoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer and the Corporation an instrument in writing, accepting such appointment hereunder, and thereupon such successor Bond Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Bond Trustee all the rights, power and trusts of such predecessor. The predecessor Bond Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Bond Trustee. The predecessor Bond Trustee shall promptly, after payment of all amounts due and owing to such predecessor Bond Trustee have been paid in full, deliver all moneys and records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Bond Trustee.

Each successor Bond Trustee, not later than ten days after its assumption of the duties hereunder, shall mail a notice of such to each Holder of a Bond.

Section 8.7 Proof of Claim. The Bond Trustee shall have the right and power to take actions in the name and place of the Issuer or Holders to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required. Any amount recovered as a result of any such claim, after payment of all fees (including reasonable attorneys' fees, costs, expenses and advances incurred by the Bond Trustee or its agents in pursuing such claim), shall be for the equal benefit of all of the Holders.

Section 8.8 Bond Trustee's Fees and Expenses. The Bond Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); to reimbursement upon request for all actual out-of-pocket expenses, disbursements and advances incurred or made by the Bond Trustee in accordance with any provision of this Bond Indenture (including the reasonable compensation and the

expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct; and to be indemnified for and held harmless against any loss, liability or willful misconduct incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder; *provided, however*, that the Issuer shall not be liable for any such amounts so payable except to the extent the same can be paid or recovered from funds paid or payable to the Issuer pursuant to the Loan Agreement.

Any provision hereof to the contrary notwithstanding, if the Corporation fails to make any payment properly due the Bond Trustee for its reasonable fees, costs, expenses and such reasonable fees, costs and expenses of attorneys, certified public accountants, recognized authorities in their field and agents (not employees of the Bond Trustee) incurred in performance of its duties, the Bond Trustee may reimburse itself from the surplus income or any surplus moneys on hand at any time or times in any fund or account created pursuant hereto.

Section 8.9 Destruction of Bonds. Upon payment of or surrender to Bond Trustee for cancellation of any Bond, the Bond Trustee shall destroy such Bond.

Section 8.10 Report. The Bond Trustee shall quarterly, or at such other intervals as the Bond Trustee and the Corporation shall from time to time agree upon (but in no event more frequently than monthly), prepare and submit to the Corporation reports covering all moneys received and all payments, expenditures and investments made as the Bond Trustee hereunder since the last previous such report.

Section 8.11 Separate or Co-Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Issuer and the Bond Trustee shall have power to appoint, and, upon the request of the Bond Trustee or of the Holders of at least a majority in aggregate principal amount of Bonds Outstanding, the Issuer shall for such purpose join with the Bond Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons, approved by the Bond Trustee and, unless an Event of Default has occurred and is continuing, reasonably acceptable to the Corporation, either to act as co-trustee or co-trustees, jointly with the Bond Trustee of all or any part of the pledged property, or to act as separate trustee or separate trustees of all or any part of the pledged property, and to vest in such person or persons, in such capacity, such title to the pledged property or any part thereof, and such rights, powers, duties, trusts or obligations as the Issuer and the Bond Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

If the Issuer shall not have joined in such appointment within 20 days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Bond Trustee alone shall have power to make such appointment.

The Issuer and the Corporation shall execute, acknowledge and deliver all such instruments as may reasonably be required by any such co-trustee or separate trustee for more

fully and certainly vesting in such co-trustee or separate trustee the property, rights, and duties intended to be vested in such co-trustee or separate trustee.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) the Bonds shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations hereby conferred upon the Bond Trustee in respect to the custody, control and management of moneys, papers, securities and other personal property shall be exercised, solely by the Bond Trustee.

(b) all rights, powers, trusts, duties and obligations conferred or imposed upon the Bond Trustees shall be conferred or imposed upon and exercised or performed by the Bond Trustee, or by the Bond Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Bond Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) any request in writing by the Bond Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee and such co-trustee or separate trustee shall abide by such request.

(d) any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Bond Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) the Bond Trustee at any time, by any instrument in writing, with the concurrence of the Issuer, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default shall have occurred and be continuing, the Bond Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Issuer. Upon the request of the Bond Trustee, the Issuer and the Corporation shall join with the Bond Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) no trustee or any Paying Agent hereunder shall be personally liable by reason of any act or omission of any other trustee or Paying Agent hereunder, nor will the act or omission of any trustee or Paying Agent hereunder be imputed to any other trustee or Paying Agent.

(g) any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Bond Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Bond Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, such co-trustee or separate trustee shall be vested jointly with the Bond Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) with such title to the pledged property or any part thereof, and with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment subject to all the terms hereof. Every such acceptance shall be filed with the Bond Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Bond Trustee, its attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its behalf and in its name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the pledged property, and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Bond Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

Section 8.12 Recitals and Representations. The recitals, statements and representations contained herein, or in any Bond (excluding the Bond Trustee's authentication on the Bonds) shall not be taken or construed as made by the Bond Trustee, and the Bond Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Bond Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Bonds, or, except as herein required, the filing or recording or registering of any document. The Bond Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Bond Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Bond Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Bond Trustee of written notice of a default or an Event of Default from the Issuer or any Holder.

ARTICLE IX SUPPLEMENTS

Section 9.1 Supplements not Requiring Consent of Bondholders. The Issuer and the Bond Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder provided such action shall not materially adversely affect the interests of the Holders;

(b) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(c) to secure additional revenues or provide additional security or reserves for payment of the Bonds; and

(d) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder.

Section 9.2 Supplements Requiring Consent of Bondholders.

(a) Other than Supplements referred to in Section 9.1 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Bond Trustee of such Supplements as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; *provided, however*, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or rate of interest payable on any Bond without the consent of the Holders of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Issuer shall request the Bond Trustee to enter into a Supplement pursuant to this Section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage prepaid, to the registered Holders of the Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the office of the Bond Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding three years, as shall be prescribed by the Corporation, following the mailing of such notice, the Bond Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified in subsection (a) for the

Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Bond Trustee, thereupon, but not otherwise, the Bond Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holders of the Bonds giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereto), unless such consent is revoked in writing by the Holders of such Bond giving such consent or by a subsequent Holder thereof by filing with the Bond Trustee, prior to the execution by the Bond Trustee of such Supplement, such revocation and, if such Bond or Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.1. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the supplement, the Bond Trustee shall make and file with the Issuer a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required amount or number of the Bonds Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

Section 9.3 Execution and Effect of Supplements.

(a) In executing any Supplement permitted by this Article, the Bond Trustee shall be entitled to receive and to rely upon an Opinion of Counsel (not an employee of the Bond Trustee or the Corporation) stating that the execution of such Supplement is authorized or permitted hereby. The Bond Trustee may but shall not be obligated to enter into any such Supplement which affects the Bond Trustee's own rights, duties or immunities.

(b) So long as no Event of Default hereunder exists and the Corporation is not in default under the Loan Agreement, any Supplement under this Article shall not become effective unless and until the Corporation shall have consented in writing to the execution and delivery of such Supplement. In this regard the Bond Trustee shall cause notice of the proposed execution and delivery of any such Supplement together with a copy of the proposed Supplement to be delivered to the Corporation at least ten calendar days prior to the date of its proposed execution and delivery in the case of a Supplement referred to in Section 9.1 hereof and not later than the date of mailing of the notice of the proposed execution and delivery in the case of a Supplement referred to in Section 9.2.

(c) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such

Supplement shall form a part hereof for all purposes and every Holder of a Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(d) Any Bond authenticated and delivered after the execution and delivery of any Supplement with this Article may, and if required by the Issuer or the Bond Trustee shall, bear a notation in form approved by the Issuer and Bond Trustee as to any matter provided for in such Supplement. If the Issuer shall so determine, new bonds so modified as to conform in the opinion of the Bond Trustee and the Issuer to any such Supplement may be prepared and executed by the Issuer and authenticated and delivered by the Bond Trustee in exchange for and upon surrender of the Bonds then Outstanding.

Section 9.4 Amendments to Loan Agreement not Requiring Consent of Bondholder. The Issuer and the Bond Trustee may, without the consent of or notice to any of the Holders, consent to and join with the Corporation in the execution and delivery of any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions thereof; (ii) to cure any ambiguity or formal defect or omission therein; or (iii) in connection with any other change therein as to which there is filed with and addressed to the Bond Trustee and the Issuer an Opinion of Counsel stating that the proposed change will not materially adversely affect the interests of the Holders or the Bond Trustee.

Section 9.5 Amendments to Loan Agreement Requiring Consent of Bondholders.

(a) Except for amendments, changes or modification to the Loan Agreement referred to in Section 9.4 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Issuer and the Bond Trustee may consent to and join with the Corporation in the execution and delivery of any amendment, change or modification to the Loan Agreement only upon the consent of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding given as provided in this Section; *provided, however*, no such amendment, change or modification may affect the obligation of the Corporation to make payments under the Loan Agreement or the Series 2017 Obligation or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Issuer and the Corporation shall request the consent of the Bond Trustee and the Bondholders to any such amendment, change or modification to the Loan Agreement the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.2 hereof with respect to Supplements hereto. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Bond Trustee for inspection by all Bondholders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of Bonds specified in subsection (a) within the time and in the manner provided by Section 9.2 hereof with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and

conditions and with like binding effect upon the Holders as provided in Sections 9.2 and 9.3 hereof with respect to Supplements hereto.

**ARTICLE X
SATISFACTION AND DISCHARGE**

Section 10.1 Discharge. If payment of all principal of, and interest on all of the Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article, and if all other sums payable by the Issuer hereunder shall be paid, then the liens, estates and security interests granted hereby shall cease. Thereupon, upon the request of the Issuer, and upon receipt by the Bond Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Bond Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Bond Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Bond Trustee for payment of amounts due or to become due on the Bonds, to the Issuer, the Corporation or such other person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Bond Trustee thereafter to charge the Corporation and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The Issuer or the Corporation may at any time surrender to the Bond Trustee for cancellation any Bonds previously authenticated and delivered which the Issuer or the Corporation may have acquired in any manner whatsoever and such Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2 Providing for Payment of Bonds. Payment of all or any part of the Bonds in authorized denominations may be provided for by the deposit with the Bond Trustee of cash or non-redeemable direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, or both, which constitute Available Monies. The moneys and the maturing principal and interest income on such obligations, if any, shall be sufficient without reinvestment, as evidenced by a certificate of an independent certified public accounting firm or such other financial firm with expertise acceptable to the Bond Trustee, to pay when due the principal or redemption price of and interest on such Bond. The moneys and obligations shall be held by the Bond Trustee irrevocably in trust for the Holders of such Bond or portion thereof solely for the purpose of paying the principal or redemption price of and interest on such Bond as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Bond Trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities.

If payment of Bonds is so provided for, the Bond Trustee shall mail a notice so stating to each holder of a Bond so provided for.

Bonds, the payment of which has been provided for in accordance with this Section, shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the

Issuer in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys or obligations deposited with the Bond Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of such Bond is made, the interest payable on any Bond is made subject to federal income taxes. The Bond Trustee may rely upon an opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

Section 10.3 Payment of Bonds After Discharge. Notwithstanding the discharge of the lien hereof as in this Article provided, the Bond Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds as provided herein. Nevertheless, any moneys held by the Bond Trustee or any Paying Agent for the payment of the principal of, or interest on any Bond remaining unclaimed for five years after the principal of all Bonds has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Corporation and the Holders of any Bonds not theretofore presented for payment shall thereafter be entitled to look only to the Corporation for payment thereof and all liability of the Bond Trustee or any Paying Agent with respect to such moneys shall thereupon cease.

ARTICLE XI MISCELLANEOUS

Section 11.1 Evidence of Acts of Bondholders. Any request, direction, consent or other instrument provided hereby to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Bond Trustee and Issuer, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

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

(b) The ownership of Bonds shall be proved by the register of such Bonds.

Nothing in this Section shall be construed as limiting the Bond Trustee to the proof herein specified, it being intended that the Bond Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Any action taken or suffered by the Bond Trustee pursuant to any provision hereof, upon the request or with the assent of any person who at the time is the Holders of any Bond or Bonds, shall be conclusive and binding upon all future Holders of the same Bond or Bonds.

Section 11.2 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Bond Indenture or the Bonds are intended or shall be construed to provide or grant to any person other than the parties hereto, the Corporation and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect to this Bond Indenture or any covenants, conditions and provisions herein contained.

Section 11.3 Parties Interested Herein. Nothing in this Indenture, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Issuer, the Bond Trustee, the Corporation, the Paying Agent, if any, and the Registered Owners or Beneficial Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Corporation, the Bond Trustee, the Paying Agent, if any, and the Registered Owners or Beneficial Owners of the Bonds.

Section 11.4 Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Bonds issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 11.5 Holidays. When the date on which principal of or interest on any Bond is due and payable is a day on which banking institutions at a place of payment on the Bonds are authorized by law to remain closed, payment may be made on Bonds presented at such place of payment on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as though payment were made on the due date and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

Section 11.6 Governing Law. This Bond Indenture and the Bonds are contracts made under the laws of the State and shall be governed and construed in accordance with such laws without regard to conflict of law principles.

Section 11.7 Notices. Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder, shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to the Issuer: Ms. Caldwell, Chairman, P.O. Box 2023, Daytona Beach, Florida 32115-2023, with copies to Landis Graham French, P.A., 145 East Rich Avenue, Suite C, DeLand, Florida 32724, Attention: F.A. Ford, Jr.

(ii) If to the Bond Trustee, addressed to it at Wells Fargo Bank, National Association, 1 Independent Drive, Suite 620, MAC Z 3094-060, Jacksonville, Florida 32202 ATTN: Corporate Trust Department.

(iii) If to the registered Holder of a Bond, addressed to such Holder at the address shown on the book of the Bond Trustee kept pursuant hereto.

(iv) If to the Corporation, addressed to it at Embry-Riddle Aeronautical University, 600 S. Clyde Morris Boulevard, Daytona Beach, Florida 32014, Attention: Senior Executive Vice President and Chief Financial Officer, with a copy to the Controller.

(b) The parties listed above may from time to time by notice in writing to the others designate a different address or addresses for notices hereunder.

Section 11.8 Counterparts. This Bond Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 11.9 Immunity of Individuals. No recourse shall be had for the payment of the principal of, or interest on, any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, member, employee or agent of the Issuer, whether directly or indirectly and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Bonds.

Section 11.10 Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns subject to the limitations contained herein.

Section 11.11 Interpretation. Notwithstanding any other provision of this Bond Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Bond Indenture, the Bond Trustee shall consider the effect on the Bondholders.

Section 11.12 No Limitations on Actions of Issuer In Exercise of its Governmental Powers. Nothing in the Loan Agreement or this Indenture is intended, nor shall it be construed, to in any way limit the actions of the Issuer in the exercise of its corporate powers. It is the express intention of the parties hereto that the Issuer shall retain the full right and ability to exercise its corporate powers with respect to the Borrower, the Project, the Trustee, the Owners and the transactions contemplated by the Loan Agreement and this Indenture to the same extent as if it were not a party to the Loan Agreement, this Indenture or the transactions contemplated thereby, and in no event shall the Issuer have any liability in contract arising under the Loan Agreement or this Indenture by virtue of any exercise of its governmental powers.

IN WITNESS WHEREOF, the Issuer has caused these presents to be signed in its name and on its behalf by its duly authorized officer and to evidence its acceptance of the trusts hereby created and the Bond Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

[SEAL]

**VOLUSIA COUNTY EDUCATIONAL
FACILITIES AUTHORITY**

By: _____
Executive Director

By: _____
Chairman

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Bond Trustee**

By: _____
Vice President

EXHIBIT A

FORM OF OBLIGATION NO. 5

Embry-Riddle Aeronautical University, Inc.
Obligation No. 5

C-65

FOR VALUE RECEIVED, Embry-Riddle Aeronautical University, Inc., a not-for-profit corporation duly incorporated and validly existing under and by virtue of the laws of the State of Florida (the "Corporation"), promises to pay to Wells Fargo Bank, National Association, or assigns, the principal sum of _____ AND NO/100 DOLLARS (\$_____.00), together with (a) interest thereon payable each _____ and _____ beginning _____, 2017 at such rate or rates as in the aggregate will produce an amount equal to the total of all interest becoming due and payable on the Volusia County Educational Facilities Authority Revenue and Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc.), Series 2017 (the "Related Bonds"), dated as of August 1, 2017, in the aggregate principal amount of \$_____ issued pursuant to a Bond Indenture, dated as of August 1, 2017 (as amended or supplemented from time to time in accordance with its terms, the "Related Bonds Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (in such capacity, the "Related Bonds Trustee"), which is incorporated herein by reference and made a part hereof, and (b) such redemption premiums and other amounts as are required to be paid by the Corporation to the Authority as part of the loan payments as provided in the Loan Agreement, dated as of August 1, 2017 (as amended or supplemented from time to time in accordance with its terms, the "Loan Agreement"), between the Corporation and the Authority, which is incorporated herein by reference and made a part hereof. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Related Bonds Indenture and the Loan Agreement.

The Corporation shall receive credit for payment on Obligation No. 5, in addition to any credits resulting from payment or prepayment from other sources to the extent the following amounts have actually been applied for payment, as follows:

- (i) On installments of interest on Obligation No. 5 in an amount equal to moneys deposited in the Bond Fund created under the Related Bonds Indenture which amounts are available to pay interest on the Related Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5.
- (ii) On installments of principal on Obligation No. 5 in an amount equal to moneys deposited in the Bond Fund created under the Related Bonds Indenture which amounts are available to pay principal of the Related Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 5.
- (iii) On installments of principal of and interest on, respectively, Obligation No. 5 in an amount equal to the principal amount of and interest on Related Bonds which

have been called by the Related Bonds Trustee for redemption prior to maturity and for the redemption of which sufficient amounts in cash are on deposit in the Redemption Fund or the Bond Fund created under the Related Bonds Indenture. A credit shall also be made against the installments of principal of and interest on Obligation No. 5 which would be due, but for such call for redemption, to pay principal of and interest on such Related Bonds when due.

This Obligation No. 5 is a single Obligation of the Corporation limited to \$_____ in principal amount, designated as "Embry-Riddle Aeronautical University, Inc. Obligation No. 5" ("Obligation No. 5" and is issued together with Obligation No. 1 and all other Obligations issued under the Master Trust Indenture hereinafter identified, the "Obligations"). Obligation No. 5 is issued under and pursuant to Supplemental Indenture for Obligation No. 5, dated as of _____, 2017 ("Supplement No. ____"), supplementing the Master Trust Indenture, dated as of _____, 2017, between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Master Trustee"). Said Master Trust Indenture, as so supplemented and amended, is hereinafter called the "Master Indenture". This Obligation No. 5, together with all other Obligations outstanding under the Master Indenture, is equally and ratably secured by the provisions of the Master Indenture.

Principal hereof, interest hereon and any applicable redemption premium, are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts. The principal hereof, premium, if any, and interest hereon shall be payable in immediately available funds by the Corporation depositing the same with or to the account of the Related Bonds Trustee at or prior to the opening of business on the day such payments shall become due and payable (or the next succeeding business day if such date is a Saturday, Sunday or holiday in the city in which the principal office of the Related Bonds Trustee is located), and giving notice of payment to the Master Trustee as provided in the Supplement No. ____.

This Obligation No. 5 is issued for the purpose of evidencing and securing the indebtedness of the Corporation resulting from the making available to the Corporation of the proceeds of the issuance and sale of the Related Bonds.

Upon surrender of Obligation No. 5 to the Master Trustee and delivery of a Substitute Obligation (as defined in the Master Indenture) to the Related Bonds Trustee, or upon payment by the Corporation of a sum, in cash or Defeasance Obligations (as defined in the Related Bonds Indenture), or both, sufficient, together with any other cash and Defeasance Obligations held by the Related Bonds Trustee and available for such purpose, to cause all Outstanding Related Bonds to be deemed to have been paid within the meaning of Section 10.01 of the Related Bonds Indenture and to pay all other amounts referred to in Section 10.01 of the Related Bonds Indenture, accrued and to be accrued to the date of discharge of the Related Bonds Indenture, Obligation No. 5 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture.

Copies of the Master Indenture are on file at the Corporate Trust Office of the Master Trustee and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the owners of Obligations issued under the Master Indenture, the terms and conditions on which, and the purpose for which, Obligations are to be issued and the rights, duties and obligations of the Corporation and the Master Trustee under the Master Indenture, to all of which the registered owner hereof, by acceptance of this Obligation No. 5, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the covenants made therein, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligation issued under the Master Indenture over any other such Obligation except as expressly provided or permitted in the Master Indenture. Previously issued and Outstanding under the Master Indenture is the Corporation's Obligation No. 1 dated as of February 1, 2015, Obligation No. 2 dated March 23, 2015, Obligation No. 3 dated June 12, 2015 and Obligation No. 4 dated July 17, 2015.

To the extent permitted by and as provided in the Master Indenture, modifications or changes of the Master Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Corporation and of the owners of any particular Obligation may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes which would affect the rights of the owners of this Obligation No. 5 may be made only with the consent of the owners of not less than a majority in aggregate principal amount of the Related Bonds Outstanding under the Related Bonds Indenture secured by this Obligation No. 5. No such modification or change shall be made which will (i) effect a change in the times, amounts or currency of payment of the principal of, and premium, if any, or interest on any obligation without the consent of the registered owner of such obligation; (ii) permit the preference or priority of any Obligation over any other Obligation without the consent of the registered owners of all Obligations then Outstanding; (iii) reduce the aggregate principal amount of Obligations then Outstanding the consent of the registered owners of which is required to authorize such supplement without the consent of the registered owners of all Obligations then Outstanding; or (iv) change certain requirements regarding the acceleration of the Obligation. Any such consent by the registered owners of this Obligation No. 5 shall be conclusive and binding upon such registered owner and all future owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 5.

In the manner and with the effect provided in Supplement No. __, Obligation No. 5 will be subject to redemption in whole or in part prior to maturity, in an amount equal to the principal amount of any Related Bonds (i) called for redemption pursuant to the Related Bonds Indenture, or (ii) purchased for cancellation. Obligation No. 5 shall be subject to redemption on the date any Related Bonds shall be so redeemed or purchased, and in the manner provided herein.

Any redemption, either in whole or in part, shall be made upon notice thereof in the manner and upon the terms and conditions provided in the Related Bonds Indenture. If this Obligation No. 5 shall have been duly called for redemption and payment of the redemption price, together with interest accrued thereon to the date fixed for redemption, shall have been made or provided for, as more fully set forth in Supplement No. __ and the Related Bonds Indenture, interest on this Obligation No. 5 shall cease to accrue from the date fixed for redemption, and from and after such date this Obligation No. 5 shall be deemed not to be Outstanding, as defined in the Master Indenture, and shall no longer be entitled to the benefits of the Master Indenture, and the registered owner hereof shall have no rights in respect of this Obligation No. 5 other than payment of the redemption price, together with accrued interest to the date fixed for redemption.

Upon the occurrence of certain Events of Default (as defined in the Master Indenture), the principal of all Obligations then Outstanding may be declared, and the same shall become, due and payable as provided in the Master Indenture, but subject to certain restrictions as set forth in the Master Indenture.

The registered owner of this Obligation No. 5 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 5 is issuable only as a fully registered obligation. This Obligation No. 5 shall be registered on the registration books to be maintained by the Master Trustee for that purpose at its Corporate Trust Office and the transfer of this Obligation No. 5 shall be registrable only upon presentation of this Obligation No. 5 at said office by the registered owner or by his duly authorized attorney and subject to the limitations, if any, set forth in Supplement No. __. Such registration of transfer shall be without charge to the registered owner hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the registered owner requesting such registration of transfer as a condition precedent to the exercise of such privilege. Upon any such registration of transfer, the Corporation shall execute and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 5 a new Obligation, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Corporation and the Master Trustee may deem and treat the person in whose name this Obligation No. 5 is registered as the absolute owner hereof for all purposes; and neither the Corporation nor the Master Trustee shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 5.

No covenant or agreement contained in this Obligation No. 5 or the Master Indenture shall be deemed to be a covenant or agreement of any director, officer, agent or employee of the

Corporation or of the Master Trustee in his individual capacity, and no incorporator, member, officer or member of the Board of Directors of the Corporation shall be liable personally on this Obligation No. 5 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 5.

This Obligation No. 5 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 5 shall have been authenticated by execution by the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Corporation has caused this Obligation No. 5 to be executed in its name and on its behalf by its duly authorized officers all as of the ____ day of _____, 2017.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY,
INC.

By: _____
Randall B. Howard, Ph.D. Senior Vice
President and Chief Financial Officer

Attest:

By: _____
Jare Allocco Allen, University
Controller

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. 5 is one of the Obligations contemplated by the within-mentioned Master Indenture.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Master Trustee

By: _____
Authorized Signatory

C-67

LOAN AGREEMENT

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

and

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

Dated as of August 1, 2017

\$46,355,000

**Educational Facilities Revenue and Revenue Refunding Bonds
(Embry-Riddle Aeronautical University, Inc. Project)
Series 2017**

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement)

	PAGE
ARTICLE I	DEFINITIONS 2
SECTION 1.1.	Definitions. 2
SECTION 1.2.	Interpretation. 2
ARTICLE II	REPRESENTATIONS, WARRANTIES AND COVENANTS 3
SECTION 2.1.	Representations of Issuer. 3
SECTION 2.2.	Representations, Warranties and Covenants of Corporation. 3
ARTICLE III	ISSUANCE OF BONDS 6
SECTION 3.1.	Issuance of Bonds and Application of Proceeds. 6
SECTION 3.2.	Security for Bond. 6
ARTICLE IV	PAYMENTS 6
SECTION 4.1.	Obligation to Repay Principal and Interest. 6
SECTION 4.2.	Payments. 7
SECTION 4.3.	Credits for Payments. 7
SECTION 4.4.	Prepayment. 8
SECTION 4.5.	Payment of Expenses of Bond Trustee and Issuer; Other Payments Required to be Made by Corporation. 9
SECTION 4.6.	Obligations Unconditional. 9
SECTION 4.7.	Payments to Be Net Return to the Issuer. 10
SECTION 4.8.	No Debt Service Reserve Fund. 10
ARTICLE V	PARTICULAR COVENANTS 10
SECTION 5.1.	Corporate Existence; Merger. 10
SECTION 5.2.	Certificate of Compliance. 11
SECTION 5.3.	Inspection. 11
SECTION 5.4.	Supplements. 11
SECTION 5.5.	Tax Status. 11
SECTION 5.6.	Use of Project. 12
SECTION 5.7.	Maintenance and Operation of the Facilities. 12
SECTION 5.8.	Taxes, Assessments, Other Governmental Charges and Utility Charges. 13
SECTION 5.9.	Indemnity. 13
SECTION 5.10.	Limitation of Issuer's Liability. 14
SECTION 5.11.	Negative Pledge. 15
SECTION 5.12.	Accreditation. 15
SECTION 5.13.	Right to Documents. 15
SECTION 5.14.	Continuing Disclosure. 15

ARTICLE VI	EVENTS OF DEFAULT AND REMEDIES	16
SECTION 6.1.	Events of Default	16
SECTION 6.2.	Remedies in General	16
SECTION 6.3.	Discontinuance or Abandonment of Default Proceedings.....	17
SECTION 6.4.	Remedies Cumulative.....	17
SECTION 6.5.	Application of Moneys Collected.....	18
SECTION 6.6.	Attorneys Fees and Other Expenses.	18
ARTICLE VII	MISCELLANEOUS	18
SECTION 7.1.	Amendments and Supplements.	18
SECTION 7.2.	Applicable Law.....	18
SECTION 7.3.	Execution in Counterparts; One Instrument.	18
SECTION 7.4.	Severability.....	18
SECTION 7.5.	Time of the Essence; Non-business Days.....	18
SECTION 7.6.	Approval of Bond Indenture and Issue of Bonds.....	18
SECTION 7.7.	Limitation of rights.	19
SECTION 7.8.	Binding Effect.....	19
SECTION 7.9.	Notices.	19

Exhibit A Project

THIS LOAN AGREEMENT, made and entered into as of August 1, 2017, by and between VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY, an entity organized and existing under and by virtue of the laws of the State of Florida and designated by law as a body corporate and politic and a public instrumentality of the State of Florida (the "Issuer"), and EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC., a Florida not-for-profit corporation (the "Corporation").

WITNESSETH:

WHEREAS, the Issuer was duly created and now exists under Chapter 243, Part I, the Higher Educational Facilities Authorities Law, Florida Statutes (the "Act"); and

WHEREAS, pursuant to the Act the Issuer is authorized to make loans to institutions of higher education (within the meaning of the Act) for the purpose of (i) financing and refinancing the construction, acquisition, equipping and improvement of projects (as defined in the Act) and (ii) refinancing and refunding outstanding obligations of institutions for higher education for the costs of projects and to issue its bonds for the purpose of making such loans and in carrying out any of its powers; and

WHEREAS, the Corporation owns and operates an institution for higher education located within the State of Florida (the "State") and the State of Arizona; and

WHEREAS, pursuant to an Interlocal Agreement dated as of March 15, 1996 by and between the Issuer and the Industrial Development Authority of the County of Yavapai, Arizona (the "Yavapai Authority"), the Issuer has the power to finance and refinance the Corporation's projects in that location; and

WHEREAS, the Corporation has requested the Issuer to issue its Educational Facilities Revenue and Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2017 (the "Bonds"), the proceeds of which are to be loaned to the Corporation and used, together with other available funds, to (i) finance certain equipment, land, capital improvements and renovations to the Daytona Beach, Florida and Prescott, Arizona campuses identified in Exhibit A to this Loan Agreement, (ii) refund the Issuer's Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project), Series 2011 (the "Series 2011 Bonds") and (iii) pay the cost of issuance of the Bonds; and

WHEREAS, the Corporation has also determined to deposit Available Moneys in order to provide additional funds towards the refunding of the Series 2011 Bonds; and

WHEREAS, reference is hereby made to the Master Trust Indenture dated as of February 1, 2015 (the "Original Master Indenture"), between the Corporation and Wells Fargo Bank, National Association, as Master Trustee (the "Master Trustee"), as supplemented from time to time, as particularly supplemented by a Supplemental Indenture for Obligation No. 5 dated as of August 1, 2017 between the Corporation and the Master Trustee (the "Supplement,"

and together with the Original Master Indenture, collectively referred to herein as the "Master Indenture"); and

WHEREAS, in order to provide security for the repayment of the Bonds, the Corporation is concurrently with the delivery hereof issuing to the Issuer its Embry-Riddle Aeronautical University, Inc. Obligation No. 5 (2017 Financing) (the "Series 2017 Obligation") dated August 17, 2017 in the principal amount of \$46,355,000. The principal amount of the Series 2017 Obligation is equal to the principal amount of the loan being made hereunder by the Issuer to the Corporation and the Issuer shall assign the Series 2017 Obligation to the Bond Trustee; and

WHEREAS, in connection with the refunding of the Series 2011 Bonds the Mortgage shall be satisfied and released and the Bonds will not be secured by any mortgage; and

WHEREAS, the Issuer deems it desirable and in keeping with its purposes under the Act to issue its Bonds and make the proceeds thereof available to the Corporation for the purposes described herein and above; and

NOW THEREFORE, in consideration of the respective provisions, covenants, conditions and agreements herein contained, it is hereby agreed as follows:

ARTICLE I DEFINITIONS

SECTION 1.1. DEFINITIONS. For the purposes hereof, unless the context otherwise requires, capitalized terms used herein without definition are defined in the Bond Indenture dated as of August 1, 2017 (the "Bond Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, as Bond Trustee (the "Bond Trustee"), shall have the meanings specified in the Bond Indenture and "Event of Default" shall mean any of the events set forth in Section 6.1 hereof.

SECTION 1.2. INTERPRETATION.

(a) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include any and all other genders as the context may require.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meanings, construction or effect hereof.

ARTICLE II REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.1. REPRESENTATIONS OF ISSUER. The Issuer makes the following representations as the basis for its covenants and agreements herein:

(a) It is designated by the Act as a body corporate and politic and a public instrumentality of the State.

(b) It has, by resolution of its Board, authorized the issuance, sale, execution and delivery of the Bonds, and the execution and delivery on its behalf of this Loan Agreement and approved the execution and delivery of the Bond Indenture, the Tax Exemption Agreement and the Escrow Deposit Agreement under the terms of which the proceeds of the Bonds are to be made available to finance the Project, and the rights of the Issuer hereunder (other than the Issuer's Unassigned Rights) are pledged and assigned to the Bond Trustee as security for the payment of all amounts to become due on the Bonds.

(c) It has not pledged, assigned or granted and will not pledge, assign or grant any of its rights or interest in or under this Loan Agreement or the Series 2017 Obligation for any purpose other than to secure the Bonds.

(d) The Issuer makes no warranty, either express or implied as to the Project or the condition thereof, or that the Project will be suitable for the purposes or needs of the Corporation. The Issuer makes no representation or warranty, express or implied, that the corporation will have quiet and peaceful possession of the Project. The Issuer makes no representation or warranty, express or implied, with respect to the merchantability, condition or workmanship or any part of the Project or its suitability for the Corporation's purposes.

SECTION 2.2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF CORPORATION. The Corporation represents, warrants and covenants that:

(a) It has been duly incorporated and is validly existing and in good standing as a not-for-profit corporation under the laws of the State of Florida. It is qualified to do and is doing business in and is in good corporate standing in the State of Florida, in the State of Arizona and in each other jurisdiction where its qualification or failure to so qualify does not materially and adversely affect its financial condition and results of operations. It has full legal right, power and authority to enter into this Loan Agreement, the Supplement, the Tax Exemption Agreement and the Escrow Deposit Agreement and to carry out and consummate all transactions contemplated herein and by the Tax Exemption Agreement, the Supplement, and the Bond Indenture. It has, by proper action, duly authorized the execution and delivery of the Loan Agreement, the Supplement, and the Tax Exemption Agreement, and has approved the execution and delivery of the Bond Indenture and the issuance of the Bonds.

(b) The execution and delivery hereof and the consummation of the transactions herein contemplated, including, and subject to, the application of the proceeds of the Bonds as

so contemplated, will not conflict with, or constitute a breach of, or default by it under its articles of incorporation, its bylaws, or any statute, indenture, mortgage, deed of trust, lease, note, loan agreement or other agreement or instrument to which it is a party or by which it or its properties are bound, and will not constitute a violation of any order, rule or regulation or any court or governmental agency or body having jurisdiction over it or any of its activities or properties. It is not knowingly in breach, default or violation of any statute, indenture, mortgage, deed of trust, note, loan agreement or other agreement or instrument which would allow the obligee or obligees thereof to take any action which would materially and adversely affect its performance hereunder or under the Master Trust Indenture.

(c) There are no actions, suits or proceedings of any type whatsoever pending or threatened against or affecting it or its assets, properties or operations which, if determined adversely to it or its interests, would be likely to have a material adverse effect upon its financial condition, assets, properties or operations, and it is not in default with respect to any order or decree of any court or any order, regulation or decree of any federal, state, municipal or governmental agency, which default would materially and adversely affect its financial condition, its assets, its operation or its properties.

(d) It is a not-for-profit organization organized and operated exclusively for not-for-profit purposes and no part of its earnings inures to the benefit of any person, private shareholder or individual within the meaning of Section 501(c)(3) of the Code or Section 3(a)(4) of the Securities Act of 1933, as amended. It has received a determination letter from the Internal Revenue Service to the effect that it is an organization described in Section 501(c)(3) of the Code, exempt from federal income taxation under Section 501(c)(3) of the Code and is not a private foundation as defined in Section 509(a) of the Code. Such determination letter has not been adversely modified, limited or revoked, and the Corporation is in compliance with all terms and conditions of such letter and the facts and circumstances which form the basis of such letter as represented to the Internal Revenue Service continue substantially to exist.

(e) The Project being financed with the proceeds of the Bonds is not expected to be used in such manner that (i) more than five percent of the net proceeds of the Bonds are to be used, directly or indirectly for any private business use (within the meaning of Section 141 of the Code and the applicable regulations thereunder) of a person which is not (A) a Governmental Unit or (B) an organization described in Section 501(c)(3) of the Code and exempt from taxation under Section 501(a) of the Code with respect to activities of such organization which do not constitute unrelated trades or businesses thereof (within the meaning of Section 513(a) of the Code); or (ii) more than five percent of the net proceeds of the Bonds will be used to make or finance loans directly or indirectly to any person which is not (A) a Governmental Unit or (B) an organization described in Section 501(c)(3) of the Code with respect to activities of such organization which do not constitute unrelated trades or businesses thereof (within the meaning of Section 513(a) of the Code).

(f) No changes will be made in the Project so as to cause it not to constitute a "project" within the meaning of the Act as in effect on the date of issuance of the Bonds or so as

to impair the exclusion of interest on the Bonds from federal gross income. The Corporation will use the Project or cause the Project to be used so as to constitute a "project" within the meaning of the Act as in effect on the date of issuance of the Bonds so long as the Bonds are Outstanding.

(g) All property constituting the Project shall be owned by the Corporation and is expected to continue to be owned by an organization described in Section 501(c)(3) of the Code or by a Governmental Unit. The properties constituting the Project shall not be used, and for such time as such properties continue to be owned by the Corporation will not be used, in the trade or business (within the meaning of the Code) of a person who is not a 501(c)(3) organization or a Governmental Unit.

(h) No proceeds of the Bonds will be used to provide working capital for the Corporation or any related entity.

(i) Neither any information, exhibit or report furnished to the Issuer by it in connection with the transactions contemplated hereby nor any of its foregoing representations contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) Nothing in this Loan Agreement shall be deemed to amend, or relieve the Corporation of its obligations under the Original Master Indenture and the Supplement. Conversely, to the extent that the provisions of the Original Master Indenture and Supplement allow the Corporation to take certain actions, or not to take certain actions, with regard for example to permitted liens, incurrence of indebtedness, transfers of assets, maintenance of financial ratios and similar matters, the Corporation nevertheless shall also be fully bound by the provisions of this Loan Agreement. The provisions of this Loan Agreement, as well as of the Original Master Indenture and the Supplement, each are individually and collectively for the benefit of the holders of the Bonds and nothing herein or therein contained shall impair as between the Corporation and the Bond Trustee and the Master Trustee the obligations of the Corporation under the Original Master Indenture and the Supplement, or under any other agreements, documents, instruments or certificates which may be delivered under or pursuant to the issuance of the Bonds.

All representations of the Corporation contained herein or in any certificate or other instrument delivered by the Corporation pursuant hereto, to the Bond Indenture, or in connection with the transactions contemplated thereby, shall survive the execution and delivery thereof and the issuance, sale and delivery of the Bonds as representations of facts existing as of the date of execution and delivery of the instrument containing such representation.

**ARTICLE III
ISSUANCE OF BONDS**

SECTION 3.1. ISSUANCE OF BONDS AND APPLICATION OF PROCEEDS. To provide funds to finance the Costs of the Project, as provided herein and in the Bond Indenture, the Issuer agrees to issue the Bonds in accordance with the Bond Indenture and to cause a portion of the proceeds thereof to be deposited pursuant to the Bond Indenture. The deposit of such proceeds shall constitute a loan thereof to the Corporation pursuant to this Loan Agreement.

The Corporation acknowledges the lending of said proceeds and agrees that the proceeds of the Bonds to be made available shall be deposited pursuant to the Bond Indenture.

SECTION 3.2. SECURITY FOR BOND. The Corporation agrees that the principal and redemption price of and the interest on the Bonds shall be payable in accordance with the Bond Indenture and the right, title and interest of the Issuer hereunder and in and to the payments and other amounts paid or payable by the Corporation hereunder and under the Series 2017 Obligation, other than Unassigned Rights of the Issuer, shall be assigned and pledged by the Issuer to the Bond Trustee to secure the payment of the Bonds. The Corporation agrees that all of the rights accruing to or vested in the Issuer hereunder may be exercised, protected and enforced by the Bond Trustee for or on behalf of the Holder in accordance with the provisions hereof and of the Bond Indenture.

**ARTICLE IV
PAYMENTS**

SECTION 4.1. OBLIGATION TO REPAY PRINCIPAL AND INTEREST.

(a) The Corporation shall duly and punctually pay the Payments due under this Loan Agreement and under the Series 2017 Obligation at the dates and in the places and manner required herein and therein. Notwithstanding any provision hereof to the contrary, the Corporation agrees to make payments to the Issuer and be liable therefor at the times and in the amounts equal to the amounts to be paid as principal, or redemption price of, and interest on the Bonds from time to time Outstanding under the Bond Indenture as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise, and to provide funds to make all deposits to the funds and accounts created pursuant to the Bond Indenture as required under Article V thereof. The Corporation will duly and punctually pay the principal of, premium, if any, and interest on the Series 2017 Obligation at the dates and the places and in the manner mentioned in the Series 2017 Obligation, according to the true intent and meaning thereof and hereof. Notwithstanding any schedule of payments set forth herein or in the Series 2017 Obligation, the Corporation agrees to make payments upon the Series 2017 Obligation and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the principal of, premium, if any, and interest on the Bonds from time to time outstanding, whether as regularly scheduled interest or principal payments, at

maturity, by mandatory or optional redemption, acceleration or otherwise; provided, however, that the Corporation may be entitled to certain credits on such Payments as permitted herein.

(b) All amounts payable hereunder by the Corporation to the Issuer, except as otherwise expressly provided herein, shall be paid to the Bond Trustee as assignee of the Issuer so long as the Bonds remains Outstanding.

SECTION 4.2. PAYMENTS.

(a) The Payments of moneys referred to in Section 4.1 hereof and in this Section 4.2 and as required by the Series 2017 Obligation shall commence not later than the Business Day prior to October 15, 2017, and shall be made not later than the Business Day prior to any Bond Payment Date.

(b) The Payments in respect of each Bond Payment Date shall include an amount equal to interest to be paid on the Outstanding Bonds on the next Bond Payment Date until the Interest Account contains moneys sufficient for such interest payment.

(c) The Payments due on the Business Day prior to October 15, in each Bond Year ending on a date on which the Bonds matures or is subject to mandatory redemption, shall include an amount necessary to cause the amount credited to the Principal Account to be equal to the principal payment to come due on the Bonds Outstanding on the next Bond Payment Date.

(d) The Bond Trustee will notify the Corporation in writing of the amount coming due under this Section no later than the fifteenth day of each March and September.

SECTION 4.3. CREDITS FOR PAYMENTS. The Corporation shall receive credit against Payments hereunder in addition to any credits resulting from payment or prepayment from other sources, as follows:

(a) On installments of interest hereunder in an amount equal to moneys deposited in the Interest Account which amounts are available to pay interest on the Bonds and to the extent such amounts have not previously been credited against Payments hereunder.

(b) On installments of principal hereunder in an amount equal to moneys deposited in the Principal Account which amounts are available to pay principal of the Bonds and to the extent such amounts have not previously been credited against Payments hereunder.

(c) On installments of principal, redemption premium, if any, and interest, respectively, hereunder in an amount equal to the aggregate principal amount of the Bonds which has been called by the Bond Trustee for redemption, other than mandatory redemption, prior to maturity and for the redemption of which sufficient amounts are on deposit in the Redemption Account of the Bond Fund created under the Bond Indenture to the extent such amounts have not previously been credited against Payments hereunder, and in an amount

equal to the interest that, but for such call for redemption, would accrue on such Bonds from and after the date fixed for redemption thereof and the redemption premium, if any. Such credits shall be made against the installments of principal, redemption premium, if any, and interest hereunder that, but for such call for redemption, would be used to pay principal of and interest on such Bonds when due at maturity.

(d) On installments of principal and interest, respectively, hereunder in an amount equal to the aggregate principal amount of the Bonds (i) acquired by the Corporation and delivered to the Bond Trustee for cancellation, (ii) purchased by the Bond Trustee and canceled or (iii) the payment of which has been provided for in accordance with Article X of the Bond Indenture, and in an amount equal to the interest on such Bonds from and after the date interest thereon has been paid prior to the cancellation or providing for such Bonds from and after the date interest thereon has been paid prior to the cancellation or providing for payment. Such credits shall be made against the installments of principal and interest hereunder that, but for such cancellation or providing for payment, would be used to pay principal and interest on the Bonds when due.

(e) Any moneys deposited by the Bond Trustee from funds provided by the Corporation pursuant to the Series 2017 Obligation or otherwise in the Interest Account or Principal Account with respect to the Bonds then Outstanding shall be credited against the obligation of the Corporation under Section 4.2 hereof to pay interest and principal on Bonds as the same becomes due.

SECTION 4.4. PREPAYMENT.

(a) So long as all amounts which have become due hereunder have been paid, the Corporation may at any time and from time to time pay in advance and as to any due dates as determined by the Corporation, all or part of the amounts to become due hereunder if, not less than 60 days prior to such prepayment, the Corporation gives notice to the Bond Trustee of its intention to make a prepayment and of the amount thereof and if, not later than the date of the prepayment, the Corporation directs the Bond Trustee as to the application of the amounts prepaid to retire Bonds by purchase, redemption or both purchase and redemption in accordance with Section 5.3(d) of the Bond Indenture. Any such prepayment shall be made not less than 60 days prior to a Bond Payment Date and shall be in an amount sufficient to accomplish any such redemption or reasonably estimated to be sufficient to accomplish any such purchase.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due hereunder as provided in Section 4.3 hereof and on the Series 2017 Obligation.

(c) The Corporation may also prepay all of its indebtedness hereunder and this Loan Agreement by providing for the payment of the Bonds and all other amounts due in accordance with Article X of the Bond Indenture and on the Series 2017 Obligation.

SECTION 4.5. PAYMENT OF EXPENSES OF BOND TRUSTEE AND ISSUER; OTHER PAYMENTS REQUIRED TO BE MADE BY CORPORATION. In addition to all other payments hereunder, the Corporation agrees to pay the following items to the following persons, which payments shall not be credited against the Payments.

(a) To the Bond Trustee, when due, all reasonable and actual costs, fees and out-of-pocket expenses of the Bond Trustee for services rendered or incurred in performance of its duties under the Bond Indenture and all reasonable and actual fees and charges of any paying agent, registrar, counsel, accountant or other person incurred in the performance of services under the Bond Indenture on request of the Bond Trustee for which the Bond Trustee and such other person are entitled to payment or reimbursement.

(b) To the Issuer, upon demand, all reasonable costs, fees and expenses incurred by it relating to the Bonds and not otherwise required hereunder to be paid by the Corporation, including but not limited to, the fees and costs of counsel to the Issuer related to the issuance of the Bonds, the Issuer audit fees and costs related to the Bond, and all actions taken by the Issuer related to transactions, obligations, rights and duties of the Issuer hereunder or under the Bond Indenture or incurred upon the written request of the Corporation. Such payments shall be made upon written annual requests by the Issuer to the Corporation setting forth the amount of such reasonable expenses. The Corporation will not make any payment of the Corporation's share of such expenses if such payment would violate the provisions of the Tax Exemption Agreement.

(c) The Corporation acknowledges that pursuant to the requirements of the Code, it may be required to pay to the United States certain investment earnings in order to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Corporation hereby covenants and agrees to pay to the United States at or prior to the date when due, such amounts as may be necessary to preserve such tax-exempt status and shall comply with the Tax Exemption Agreement.

SECTION 4.6. OBLIGATIONS UNCONDITIONAL. The obligations of the Corporation to make payments pursuant hereto and to perform and observe all agreements on its part contained herein shall be absolute and unconditional. Until payment in full of the Bonds is made or is provided for in accordance with the Bond Indenture, the Corporation (a) will not suspend or discontinue any payments hereunder or neglect to perform any of its duties required hereunder or; (b) will perform and observe all of its obligations set forth in this Loan Agreement and the Escrow Deposit Agreement; and (c) except as provided herein, will not terminate this Loan Agreement or the Escrow Deposit Agreement, for any cause. In the event the Issuer fails to perform any such obligation, the Corporation may institute such action against the Issuer as the Corporation may deem necessary and to the extent permitted by law to compel performance; provided such action shall not violate the terms or conditions of this Loan Agreement; and provided that no costs, expenses or other monetary relief shall be recovered from the Issuer except as may be payable from the amounts available hereunder or under the Indenture. The Corporation may, however, at its own cost and expense and in its own name or,

to the extent lawful and upon written notice to the Issuer, in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the Corporation deems reasonably necessary in order to secure or protect its rights hereunder. In such event the Issuer hereby agrees, to the extent reasonable, to cooperate fully with the Corporation, but at the Corporation's expense, and to take all action necessary to effect the substitution of the Corporation for the Issuer in any such action or proceeding if the Corporation shall so request.

The rights of the Issuer and the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting (including, specifically, but without limitation, the right to receive the Payments) shall not be subject to any defense, set off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Issuer or the Bond Trustee owing to the Corporation, or by reason of any other indebtedness or liability at any time owing by the Issuer or by the Bond Trustee to the Corporation. Neither shall the rights of the Issuer or the Bond Trustee or any party on behalf of whom the Bond Trustee is acting nor any compliance by the Corporation with such rights nor payment by the Corporation affect any defense or claim or right of counterclaim or recoupment of the Corporation against the Issuer or the Bond Trustee.

SECTION 4.7. PAYMENTS TO BE NET RETURN TO THE ISSUER. The Corporation agrees that the Payments shall be a net return to the Issuer over and above any taxes or charges of any nature whatsoever which may now or hereafter be imposed on the receipts of the Issuer or hereunder.

SECTION 4.8. NO DEBT SERVICE RESERVE FUND. The Corporation is not required to fund a Debt Service Reserve Fund for the Bonds.

ARTICLE V PARTICULAR COVENANTS

SECTION 5.1. CORPORATE EXISTENCE; MERGER.

The Corporation covenants that it shall not consummate any merger or consolidation unless: (i) the resulting or surviving entity will be bound by the conditions contained herein and shall, in writing, assume all obligations hereunder; (ii) the Bond Trustee and the Issuer are presented with an Opinion of Counsel stating that the resulting or surviving entity has validly assumed all obligations of the Corporation hereunder; (iii) the Bond Trustee and the Issuer are advised of such merger or consolidation no later than 30 days before its consummation; and (iv) no Event of Default shall have occurred and be continuing and such merger shall not cause an Event of Default to occur.

The Corporation covenants that, throughout the term of this Loan Agreement it and any successor or surviving entity will remain qualified to do business in the State and will maintain within the State an office which, or an agent upon whom, service of process may be made.

SECTION 5.2. CERTIFICATE OF COMPLIANCE.

(a) The Corporation will deliver to the Bond Trustee and the Issuer by the date which is the earlier of December 1 of each year, or within five months after the end of each Fiscal Year, a certificate executed by its Corporation Representative stating that:

(i) A review of the activities of the Corporation during such Fiscal Year and of performance hereunder has been made under the Corporation Representative's supervision; and

(ii) The Corporation Representative is familiar with the provisions of this Loan Agreement and to the best of its knowledge, based on such review and familiarity, the Corporation has fulfilled all its obligations hereunder throughout such Fiscal Year, and there have been no defaults under this Loan Agreement or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specifying each such default known to it and the nature and status thereof and the actions taken or being taken to correct such default.

SECTION 5.3. INSPECTION. The Corporation will permit reasonable inspection, upon reasonable notice, of the Facilities and all of the Corporation's books, accounts and records relating to the Facilities by the Bond Trustee, or any agent of the Bond Trustee, the Issuer, or any agent of the Issuer.

SECTION 5.4. SUPPLEMENTS. The Corporation will execute, acknowledge and deliver, cause to be executed, acknowledged and delivered, such amendments or supplements hereto and such further instruments as may reasonably be required by the Issuer, the Bond Trustee to carry out the intention of, or to facilitate the performance hereof and of the Bond Indenture.

SECTION 5.5. TAX STATUS.

(a) Corporation agrees that it will remain a not for profit corporation under the laws of the State of Florida, and will do everything within its power to retain its status as an organization described in Section 501(c)(3) and exempt from federal income taxation under Section 501(a) of the Code or corresponding provisions of federal income tax laws from time to time in effect for so long as and to the extent necessary to preserve the validity of the Bonds and the exclusion of interest on the Bonds from gross income for federal income tax purposes, and will remain qualified to do business in the State.

(b) The Corporation will neither take nor fail to take any action, which action or failure to act would result in the interest on the Bonds becoming subject to inclusion as gross income for federal income tax purposes.

(c) The Corporation agrees that neither it nor any related person, as defined in Section 144 of the Code, shall, pursuant to an arrangement, formal or informal, purchase a Bond

or other obligations of the Issuer in a total amount related to the total principal amount loaned hereunder.

(d) The Corporation represents and warrants that the average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the Project being financed with the proceeds of the Bonds, all within the meaning of Section 144 of the Code.

(e) The Corporation recognizes that all gross proceeds (including investment income on the proceeds, but excluding only for purposes of this subparagraph (e) any gross proceeds held in the Bond Fund) will not be expended within six months of the date of issuance of the Bond. The Corporation agrees to comply with the requirements of Section 148 of the Code relating to the rebate to the United States and provide evidence to the Bond Trustee of such compliance.

SECTION 5.6. USE OF PROJECT. The Corporation agrees that it will not use any of the Project, or any proceeds of disposition of such Project, or suffer or permit such Project or proceeds to be used:

(a) to the extent that such use will adversely affect the validity of the Bonds or other than as a project for an institution for higher education within the meaning of the Act as in effect on the date of issuance of the Bonds or to prepay the Payments hereunder; or

(b) in any manner or to any extent that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes; or

(c) or that will adversely affect its status as an organization described in Section 501(c)(3) and exempt from federal income taxation under Section 501(a) of the Code.

SECTION 5.7. MAINTENANCE AND OPERATION OF THE FACILITIES.

(a) The Corporation covenants and agrees that it will operate and maintain the Facilities in accordance with all governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the Corporation. The Corporation further covenants and agrees that it will maintain and operate the Facilities as an institution for higher education and will maintain and operate the same, and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that shall be placed in any building or structure now or hereafter at any time constituting part of the Facilities, in good repair, working order and condition, and that it will from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements so that the efficiency and value of the Facilities shall not be impaired.

(b) Except as otherwise provided in this Loan Agreement, the Issuer reserves no power or authority with respect to the operation of the Project or the Facilities and all activities incident or related thereto, it being the specific intention of the parties hereto that, so long as no

Event of Default has occurred and is continuing hereunder, the Corporation shall manage, administer and govern the Project or the Facilities and all other properties, assets and operations of the Corporation in all its activities and affairs on a continuing day-to-day basis.

SECTION 5.8. TAXES, ASSESSMENTS, OTHER GOVERNMENTAL CHARGES AND UTILITY CHARGES. The Corporation covenants and agrees that it will pay and discharge all unpermitted taxes, assessments, governmental charges, water rates, meter charges and other utility charges which may be or have been assessed or which may have become unauthorized liens upon the Facilities, the Project or the interests therein of the Issuer, the Bond Trustee or of the Bondholder, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Facilities or any part thereof, and upon request, will furnish to the Issuer or the Bond Trustee receipts for all such payments, or other evidences satisfactory to the Bond Trustee; provided, however, that the Corporation may, at its expense and in its own name and behalf in the name and behalf of the Issuer or the Bond Trustee, if the Issuer or the Bond Trustee is a necessary party thereto, sue for a refund of any such taxes, assessments and other charges previously paid as herein provided, or in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom unless or until the Issuer or the Bond Trustee notifies the Corporation that, or unless or until the Corporation knows that, by nonpayment of any such items the title to or operation of the Facilities will be materially endangered or the Facilities, or any material part thereof, will be subject to imminent loss or forfeiture, in which case such taxes, assessments or charges shall be paid promptly.

SECTION 5.9. INDEMNITY.

(a) The Corporation shall pay, and shall indemnify, defend and hold the Issuer and the Bond Trustee (including any person at any time serving as a director, officer, employee, attorney or agent of the Issuer, or the Bond Trustee, in their capacity as such) harmless from and against, all claims, liabilities, losses, damages, costs, expenses (including reasonable attorney's, fees and expenses), suits and judgments of any kind arising out of: (i) injury to or death of any person or damage to property in or upon any property of the Corporation refinanced or financed, directly or indirectly, out of Bond proceeds or the occupation, use, possession or condition of such property or any part thereof or relating to the foregoing, unless directly caused by the Issuer, the Bond Trustee or their agents; (ii) any violation of any law, ordinance or regulation affecting such property or any part thereof or the ownership, occupation, use, possession or condition thereof; (iii) the issuance and sale of the Bond; (iv) the execution and delivery hereof or of the Bond Indenture or of any document required hereby or thereby or in furtherance of the transactions contemplated hereby or thereby; (v) the performance of any act required of any indemnitee under this Section, any provision hereof or of the Bond Indenture or in furtherance of the transactions contemplated hereby or thereby, except any caused by the Issuer's, or the Bond Trustee's own gross negligence, fraud or willful misconduct; or (vi) any liability arising out of any action taken by the Issuer or the Bond Trustee under Section 5.8

hereof. This Section 5.9(a) shall be construed to include, but not be limited to any issues relating to the Bond issue, including but not limited to the application, acquisition, construction, operation and maintenance of the Project, repayment of the debt, compliance with tax, securities and other laws and the obtaining and retaining of the tax exempt status on the Bonds.

(b) Any party entitled to indemnity shall promptly, upon receipt of notice of the existence of a claim or the commencement of a proceeding regarding which indemnity under this Section may be sought, notify the Corporation in writing thereof. If such a proceeding is commenced, the Corporation may participate in the proceeding and to the extent it elects to do so, may assume the defense thereof with counsel reasonably satisfactory to the indemnified party. If, however, the Corporation fails to assume the defense of such proceeding or to employ counsel for that purpose reasonably satisfactory to the indemnified party within a reasonable time after notice of commencement of the proceeding, the Corporation shall not be entitled to assume the defense of the proceeding on behalf of the indemnified party, but shall be responsible for the reasonable fees, costs and expenses of the indemnified party in conducting its defense.

(c) Notwithstanding the fact that it is the intention of the parties hereto that neither the Issuer nor the Bond Trustee shall incur any pecuniary liability by reason of the terms of this Loan Agreement or the undertakings required of the Issuer or the Bond Trustee hereunder, by reason of the issuance of the Bond, by reason of the execution of the Indenture or by reason of the performance of any request of the Issuer or the Bond Trustee by the Corporation, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing; nevertheless, if the Issuer and/or the Bond Trustee should incur any such pecuniary liability, then in such event the Corporation shall indemnify and hold the Issuer and the Bond Trustee harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any offering statement or lack of offering statement in connection with the sale or resale of the Bonds and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Issuer or the Bond Trustee, the Corporation shall defend the Issuer or the Bond Trustee, respectively in any such action or proceeding. All references to the Issuer or the Bond Trustee in this Section 5.9 shall be deemed to include its commissioners, directors, officers, employees, and agents. Notwithstanding anything to the contrary contained herein, the Corporation shall have no liability to indemnify the Issuer against claims or damages resulting from its own gross negligence or willful misconduct respectively.

(d) The obligations of the Corporation set forth in this Section 5.9 shall survive any termination, release, satisfaction and discharge of the Bond Indenture and this Loan Agreement.

SECTION 5.10. LIMITATION OF ISSUER'S LIABILITY. No obligation of the Issuer under or arising out of this Loan Agreement, or any document executed by the Issuer or in connection with any property of the Corporation refinanced or financed, directly or indirectly, out of Bond proceeds or the issuance, sale or delivery of the Bonds shall impose, give rise to or

be construed to authorize or permit a debt or pecuniary liability of, or charge against the general credit of, the Issuer, the Yavapai Authority, County of Yavapai, State of Arizona, Volusia County, the State or any political subdivision of the State, but each such obligation shall be a limited special obligation of the Issuer payable solely from the funds available under the Bond Indenture and other amounts derived from payments under this Loan Agreement. Neither the faith and credit nor the taxing power of Volusia County, the State or any political subdivision thereof nor the Issuer is pledged to the payment of the principal of or the interest on the Bond. No act or omission to act by the Issuer shall directly or indirectly or contingently obligate Volusia County, the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefore or to make any appropriation of the payment of the Bond. Neither the members of the Issuer nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. The Issuer has no taxing power or authority.

SECTION 5.11. NEGATIVE PLEDGE. The Corporation hereby covenants not to grant a lien on or mortgage on the Corporation's real property, except for liens in the ordinary course of business and "Permitted Liens" as defined in the Master Trust Indenture.

SECTION 5.12. ACCREDITATION. The Corporation hereby covenants to, for the term hereof, maintain its accreditation with the Southern Association of Colleges and Schools, or such other similar accreditation agency which is nationally recognized for the accreditation of institutions of higher education.

SECTION 5.13. RIGHT TO DOCUMENTS. So long as the Bonds remain outstanding, all items required to be delivered or addressed to the Master Trustee under the Master Indenture shall, at the request of the Issuer, also be delivered or addressed to the Issuer.

SECTION 5.14. CONTINUING DISCLOSURE. The Corporation covenants and agrees to undertake all responsibilities for compliance with any continuing disclosure requirements under Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), and the Issuer shall have no liability to the Owner of the Bond or any other Person with respect to such disclosure matters. Neither the Issuer nor the Bond Trustee has any duty to enforce the continuing disclosure obligations of the Corporation under the Rule; however, the Issuer, the Bond Trustee or any Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under the Rule. Notwithstanding any other provision of this Loan Agreement, failure of the Corporation to comply with any continuing disclosure requirements shall not be an Event of Default. The Issuer shall have no responsibility for the provision of any such disclosure or information.

**ARTICLE VI
EVENTS OF DEFAULT AND REMEDIES**

SECTION 6.1. EVENTS OF DEFAULT. Each of the following events shall constitute and be referred to herein as an "Event of Default":

(a) Failure by the Corporation to pay in full any Payment when due, whether at maturity, upon a date fixed for prepayment, by declaration of acceleration or otherwise pursuant to the terms hereof and under the Series 2017 Obligation.

(b) Material failure of the Corporation to observe or perform any other covenant, condition or agreement in this Loan Agreement or the Master Trust Indenture to be observed or performed by the Corporation for a period of 30 days after written notice to the Corporation from either the Bond Trustee or the Issuer, specifying such failure and requesting that it be remedied; provided, however if the failure stated in the notice cannot be corrected within the applicable period and if corrective action has been instituted by the Corporation within such 30 day period, the Corporation may continue to diligently pursue such corrective action until such failure is corrected; provided, however, that in no event shall such cure period exceed 60 days beyond the initial 30 days.

(c) If any material representation or warranty made by the Corporation herein or in any document or certificate furnished to the Issuer or the Bond Trustee of the Bonds in connection with the sale of the Bonds or furnished by the Corporation pursuant hereto proves untrue in any material respect as of the date of the issuance or making thereof and has not been corrected within a period of 50 days after written notice to the Corporation from either the Bond Trustee or the Issuer; provided, however, if the incorrect representation or warranty cannot be corrected within the applicable 50-day period, the Corporation may continue to diligently pursue such corrective action for an additional not to exceed forty (40) days until such failure is corrected.

(d) Any "Event of Default" as defined in the Bond Indenture or under the Master Indenture has occurred and is continuing.

(e) Any Event of Default shall have occurred and is continuing in connection with any other Agreement under which Additional Indebtedness is incurred on a parity with the lien of this Loan Agreement.

Upon having actual notice of the existence of an Event of Default, the Bond Trustee shall serve written notice thereof upon the Corporation unless the Corporation has expressly acknowledged the existence of such Event of Default in writing delivered by the Corporation to the Bond Trustee or filed by the Corporation in any court.

SECTION 6.2. REMEDIES IN GENERAL. Upon the occurrence and during the continuance of any Event of Default, the Bond Trustee, at its option, may take, and at the direction of the Holders of the Bonds Outstanding, shall take, such action as it deems necessary

or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Corporation hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Corporation's performance hereunder.

(b) Take any action at law or in equity to collect the Payments then due, whether on the stated due date, or by declaration of acceleration, but any acceleration shall only be as permitted under the Bond Indenture and the Master Indenture, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Corporation hereunder.

(c) Apply to a court of competent jurisdiction for the appointment of a receiver of any or all of the property of the Corporation, such receiver to have such powers as the court making such appointment may confer. The Corporation hereby consents and agrees, and will if requested by the Bond Trustee consent and agree at the time of application by the Bond Trustee for appointment of a receiver, to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such property and the revenues, profits and proceeds therefrom, with like effects as the Corporation could do so, and to borrow money and issue evidences of indebtedness as such receiver.

SECTION 6.3. DISCONTINUANCE OR ABANDONMENT OF DEFAULT PROCEEDINGS. If any proceeding taken by the Bond Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case the Issuer, the Bond Trustee and the Corporation shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Issuer and the Bond Trustee shall continue as though no such proceeding had taken place.

SECTION 6.4. REMEDIES CUMULATIVE. No remedy conferred upon or reserved to the Issuer, the Master Trustee or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Issuer or the Bond Trustee. In the event of any waiver of an Event of Default hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Event of Default or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it

shall not be necessary to give notice other than as expressly required herein or in the Bond Indenture.

SECTION 6.5. APPLICATION OF MONEYS COLLECTED. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the provisions of Article VII of the Bond Indenture, and, to the extent applied to the payment of amounts due on the Bond, shall be credited against amounts due hereunder.

SECTION 6.6. ATTORNEYS FEES AND OTHER EXPENSES. If, as a result of the occurrence of an Event of Default, the Issuer, the Master Trustee, or the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Corporation, the Corporation will, on demand, reimburse the Issuer, the Master Trustee, and the Bond Trustee, as the case may be, for the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred.

ARTICLE VII MISCELLANEOUS

SECTION 7.1. AMENDMENTS AND SUPPLEMENTS. This Loan Agreement may be amended, changed or modified in conformance with Article IX of the Bond Indenture.

SECTION 7.2. APPLICABLE LAW. This Loan Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State without regard to the conflict of law principles.

SECTION 7.3. EXECUTION IN COUNTERPARTS; ONE INSTRUMENT. This Loan Agreement may be executed in several counterparts, each of which shall be an original, and all of which together shall constitute but one instrument.

SECTION 7.4. SEVERABILITY. In the event any clause or provision hereof shall be held to be invalid by any court of competent jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions hereof.

SECTION 7.5. TIME OF THE ESSENCE; NON-BUSINESS DAYS. Time shall be of the essence of this Loan Agreement. When any action is provided for herein to be done on a day named or within a specified time period and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

SECTION 7.6. APPROVAL OF BOND INDENTURE AND ISSUE OF BONDS. The Corporation hereby approves the Bond Indenture and accepts all provisions contained therein and in the Master Trust Indenture. The Corporation hereby approves the issuance of the Bonds as prescribed in the Bond Indenture.

SECTION 7.7. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Loan Agreement is intended or shall be construed to give to any person other than the parties hereto, the Master Trustee and the Holder of the Bonds any legal or equitable right, remedy or claim under or in respect to this Loan Agreement or any covenants, conditions or provisions herein contained.

SECTION 7.8. BINDING EFFECT. This instrument shall inure to the benefit of and shall be binding upon the Issuer and the Corporation and its respective successors and assigns subject to the limitations contained herein; provided, however, that the Bond Trustee shall have only such duties and obligations as are expressly assumed by it under the Bond Indenture.

SECTION 7.9. NOTICES.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(1) If to the Issuer: Ms. Caldwell, Chairman, P.O. Box 2023, Daytona Beach, Florida 32115-2023, with copies to Landis Graham French, P.A., 145 East Rich Avenue, Suite C, Deland, Florida 32724, Attention: F.A. Ford, Jr.

(2) If to the Bond Trustee, addressed to it at Wells Fargo Bank, National Association, 1 Independent Drive, Suite 620, MAC Z 3094-060, Jacksonville, Florida 32202 ATTN: Corporate Trust Department.

(3) If to the Corporation, addressed to it at Embry-Riddle Aeronautical University, 600 S. Clyde Morris Boulevard, Daytona Beach, Florida 32114 Attention: Senior Executive Vice President and Chief Financial Officer, with copies to the Controller.

(b) The parties listed above may from time to time by notice in writing to the others designate a different address or addresses for notice hereunder.

[Signature page follows.]

IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its name and on its behalf and attested by its duly authorized officers, and the Issuer has caused these presents to be signed in its name and on its behalf by its duly authorized officers, all as of the day and year first above written.

EXHIBIT A

PROJECT

**EMBRY-RIDDLE AERONAUTICAL
UNIVERSITY, INC.**

[SEAL]

By: _____
Name: Randall B. Howard, Ph.D.
Title: Senior Vice President and
Chief Financial Officer

By: _____
Name: Jare Allocco Allen
Title: University Controller

**VOLUSIA COUNTY EDUCATIONAL
FACILITIES AUTHORITY**

[SEAL]

By: _____
Sara Caldwell, Chairman

By: _____
Disston T. Moore, Executive Director

The Embry-Riddle Series 2017 Bonds will be issued for the principal purpose of providing funds, together with other moneys (i) to pay costs associated with the construction and equipping of a five-story, approximately 144,500 square foot student housing facility with approximately 328 beds and related educational facilities at 600 South Clyde Morris Boulevard, Daytona Beach, Florida which is the Embry-Riddle Daytona Beach Campus; and (ii) to pay costs associated with the construction and equipping of a three-story, approximately 72,000 square foot student housing facility with 280 beds and related educational facilities at 3700 Willow Creek Road, Prescott, Arizona which is the Embry-Riddle Prescott, Arizona campus. The proceeds of the Series 2017 Bonds will also be used to refund a portion of the Series 2011 Bonds and to pay certain costs of issuance relating to the Embry-Riddle Series 2017 Bonds.

C-79

[THIS PAGE INTENTIONALLY LEFT BLANK]

Appendix D

Form of Bond Counsel Opinion

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF BOND COUNSEL OPINION

[Date of Delivery]

Volusia County Educational
Facilities Authority
Daytona Beach, Florida

**Volusia County Educational Facilities Authority
Educational Facilities Revenue and Revenue Refunding Bonds
(Embry-Riddle Aeronautical University, Inc. Project), Series 2017 (the "Bonds")**

Ladies and Gentlemen:

We have acted as Bond Counsel to Embry-Riddle Aeronautical University, Inc. (the "University") in connection with the issuance by the Volusia County Educational Facilities Authority (the "Authority"), a body corporate and politic and a public instrumentality of the State of Florida, of the above captioned Bonds. The Bonds are being issued as of the date hereof pursuant to a Bond Indenture between the Authority and Wells Fargo Bank, National Association, as Bond Trustee dated as of August 1, 2017 (the "Bond Indenture"). The proceeds from the sale of the Bonds will be loaned by the Authority to the University pursuant to a Loan Agreement dated as of August 1, 2017, between the Authority and the University (the "Loan Agreement"). The Bonds are further secured by an obligation of the University ("Obligation No. 5") issued pursuant to that certain Master Trust Indenture dated as of February 1, 2015 (the "Master Indenture") and a Supplemental Indenture for Obligation No. 5, dated as of August 1, 2017 (the "Supplemental Indenture which together with the Master Indenture are referred to herein as the "Master Trust Indenture"), by and between the University and Wells Fargo Bank, National Association, as Master Trustee (the "Master Trustee"). The proceeds of the Bonds, together with other funds provided by the University, will be used to (i) finance certain equipment, capital improvements and renovations to the University's Daytona Beach, Florida and Prescott, Arizona campuses; (ii) refund the Authority's Educational Facilities Revenue Refunding Bonds (Embry Riddle Aeronautical University, Inc. Project), Series 2011; and (iii) pay the costs and expenses associated with the issuance of the Bonds.

The Bonds and the interest thereon do not constitute a general indebtedness of the Authority, Volusia County, the State of Florida, the Yavapai County Industrial Development Authority, Yavapai County, the State of Arizona or any political subdivision or taxing district thereof or therein, or a pledge of its or their faith and credit but are special obligations of the

Authority payable solely from the loan payments and other revenues and proceeds received by the Authority under the Loan Agreement or otherwise from the funds of the University, or such other revenues and proceeds, as pledged for such payment under and as provided in the Bond Indenture. The obligations of the University are further secured by Obligation No. 5 which is secured by a lien upon and pledge of the Tuition Revenues, as defined in the Master Trust Indenture, on parity with certain outstanding obligations, as defined in the Master Trust Indenture.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Bond Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Charlie W. Sevastos, Esq., General Counsel for the University, as to, among other matters, the status of the University as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the University's qualification to do business, the power of the University to enter into and perform its obligations under the Loan Agreement and Master Indenture and the authorization, execution and delivery of the Loan Agreement and Master Indenture by the University, and as to the Loan Agreement and Master Indenture being binding and enforceable upon the University. In rendering this opinion, we have also examined and relied upon the opinion of even date herewith of Landis Graham French, P.A., as Counsel for the Authority, with respect to, among other matters, the status of the Authority, the due creation and valid existence of the Authority, the due adoption of the Resolution of the Authority adopted on July 6, 2017 and the due execution and delivery of the Bond Indenture and the Loan Agreement.

The Bonds do not constitute a general obligation or indebtedness of the Authority within the meaning of any constitutional, statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power or taxation in any form or any real or personal property for the payment of the principal of or interest on the Bonds.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion that, under existing law:

(1) The Bonds are valid and legally binding limited obligations of the Authority secured by the Bond Indenture and the Loan Agreement and payable as to principal, interest and redemption premium, if any, from amounts payable under Obligation No. 5 which is secured by a lien upon and pledge of the Tuition Revenues, all in the manner provided in the Master Trust Indenture, on parity with the certain outstanding obligations.

(2) The Bond Indenture and the Loan Agreement have been duly authorized and properly executed and delivered by the Authority, and assuming proper authorization and execution by the respective parties thereto constitute valid and legally binding agreements of the Authority enforceable in accordance with their respective terms.

(3) Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in the preceding two sentences are subject to the condition that the Authority and the University comply with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has covenanted in the Bond Indenture and the University has covenanted in the Loan Agreement to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences caused by ownership of, or the receipt of interest on, or disposition of the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of

the Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Authority or the underwriter or underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds or regarding the perfection or priority of the lien on the Pledged Funds created by the Bond Indenture and Master Trust Indenture. Further, we express no opinion regarding federal income or state tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

Appendix E

Form of Disclosure Dissemination Agent Agreement

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of August 1, 2017 is executed and delivered by EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC. (the “Corporation”) and DIGITAL ASSURANCE CORPORATION, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 2. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“**Annual Report**” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“**Annual Filing Date**” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“**Annual Financial Information**” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“**Audited Financial Statements**” means the financial statements (if any) of the Corporation for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or other applicable accounting standards, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“**Bonds**” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“**Certification**” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Corporation and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“**Disclosure Representative**” means the Senior Executive Vice President/Chief Financial Officer of the Corporation, the Controller of the Corporation, his or her designee, or such other person as the Corporation shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Corporation pursuant to Section 9 hereof.

“Failure to File Event” means the Corporation’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having 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) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any) the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Corporation, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” means that Official Statement relating to the Bonds.

“Repository” means the MSRB and the State Depository (if any).

“State Depository” means any public or private depository or entity designated by the State of Florida as a state information depository (if any) for the purpose of the Rule and with which the Corporation is legally required to file the information set forth herein.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement,

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 3. Provision of Annual Reports.

(a) The Corporation shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB and the State Depository (if any) not later than one-hundred eighty (180) days after the end of each fiscal year of the Corporation, commencing with the fiscal year ending June 30, 2017. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Corporation of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Corporation will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Failure to File Event shall have occurred and the Corporation irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B, without reference to the anticipated filing date for the Annual Report.

(d) If Audited Financial Statements of the Corporation are prepared but not available prior to the Annual Filing Date, the Corporation shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, for filing with the MSRB and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB and the State Depository, (if any);

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB and the State Depository (if any);

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Corporation pursuant to Sections 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. “Principal and interest payment delinquencies;”
2. “Non-Payment related defaults, if material;”
3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
5. “Substitution of credit or liquidity providers, or their failure to perform;”
6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
7. “Modifications to rights of securities holders, if material;”
8. “Bond calls, if material;”
9. “Defeasances;”
10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
11. “Rating changes;”
12. “Tender offers;”
13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Corporation pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”

2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Corporation pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(viii) provide the Corporation evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Corporation may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination

Agent and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to be filed with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 4. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Corporation, including the following information contained in Appendix A to the Official Statement (“Appendix A”):

(i) Total full and part-time student fall enrollment, shown in full-time equivalents, in the manner reflected on the chart on page A-15 of Appendix A;

(ii) Application, acceptance and matriculation ratios for new students entering in the fall terms, in the manner reflected in the chart on page A-15 of Appendix A;

(iii) Degrees conferred by the Corporation categorized by Associate, Bachelor and Master’s Degrees, in the manner reflected in the chart on page A-7 of Appendix A;

(iv) The Corporation’s unrestricted net operating surplus and operating surplus available for debt service, in the manner reflected in the table on page A-18 of Appendix A;

(v) The market value of the Corporation’s investments, in the manner reflected in the table on page A-19 of Appendix A;

(vi) The Corporation’s total net assets and expendable net assets, in the manner reflected in the table on page A-19 of Appendix A; and

(vii) The Corporation’s total outstanding indebtedness, in the manner reflected in the table on page A-21 of Appendix A.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, then, unaudited financial statements, prepared in accordance with GAAP will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

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

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 5. Reporting of Notice Events.

(a) The occurrence of any of the following events, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material or events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person (this event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person);
13. The consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the

Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Corporation shall, on a timely basis not in excess of 10 business days after the occurrence of the event, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Corporation desires to make, contain the written authorization of the Corporation for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Corporation desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the 10th business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Corporation or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the 10th business day after the occurrence of the Notice Event, if the Corporation determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Corporation desires to make, contain the written authorization of the Corporation for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Corporation desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the 10th business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Corporation as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and the MSRB.

SECTION 6. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Corporation shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 7. Additional Disclosure Obligations. The Corporation acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Corporation, and that the failure of the Disclosure Dissemination Agent to so advise the Corporation shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this

Disclosure Agreement. The Corporation acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 8. Voluntary Filings.

(a) The Corporation may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Corporation desires to make, contain the written authorization of the Corporation for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Corporation desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Corporation as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof.

(b) The Corporation may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Corporation desires to make, contain the written authorization of the Corporation for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Corporation desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Corporation as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof.

(c) The parties hereto acknowledge that the Corporation is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Corporation from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Corporation chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Corporation shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 9. Termination of Reporting Obligation. The obligations of the Corporation and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Corporation is no longer an Obligated Person, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 10. Disclosure Dissemination Agent. The Corporation has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Corporation may, upon thirty days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Corporation or DAC, the Corporation agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Corporation shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Corporation.

SECTION 11. Remedies in Event of Default. In the event of a failure of the Corporation or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 12. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Corporation has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Corporation and shall not be deemed to be acting in any fiduciary capacity for the Corporation, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Corporation's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Corporation has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Corporation at all times.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Corporation.

(c) The information required to be disclosed pursuant to Sections 3 and 4 of this Disclosure Agreement shall be submitted to the MSRB through its Electronic Municipal Market Access system ("EMMA"). Subject to future changes in submission rules and regulations, such submissions shall be provided to the MSRB, through EMMA, in portable document format ("PDF") files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. Such PDF files shall be word-searchable (allowing the user to search for specific terms used within the document through a search or find function available in a software package).

Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Disclosure Dissemination Agent shall also provide to the MSRB information necessary to accurately identify:

- (A) the category of information being provided;
- (B) the period covered by the CAFR and any additional financial information and operating data being provided;
- (C) the issues or specific securities to which such submission is related or otherwise material (including CUSIP number, issuer name, state, issue description/ securities name, dated date, maturity date, and/or coupon rate);
- (D) the name of any Obligated Person other than the Corporation;
- (E) the name and date of the document being submitted; and
- (F) contact information for the submitter.

SECTION 13. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Corporation and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Corporation and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Corporation or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days prior written notice of the intent to do so together with a copy of the proposed amendment to the Corporation. No such amendment shall become effective if the Corporation shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Corporation, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Corporation have caused this Disclosure Dissemination Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

EMBRY-RIDDLE AERONAUTICAL
UNIVERSITY, INC.

By: _____
Senior Vice President and Chief Financial
Officer

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Volusia County Educational Facilities Authority

Obligated Person(s): Embry-Riddle Aeronautical University, Inc.

Name of Bond Issue: Educational Facilities Revenue and Revenue Refunding Bonds
(Embry-Riddle Aeronautical University, Inc. Project),
Series 2017

Date of Issuance: August 17, 2017

Date of Official Statement: July 27, 2017

CUSIP Number:	928836 LY9
CUSIP Number:	928836 LZ6
CUSIP Number:	928836 MA0
CUSIP Number:	928836 MB8
CUSIP Number:	928836 MC6
CUSIP Number:	928836 MD4
CUSIP Number	928836 ME2
CUSIP Number	928836 MF9
CUSIP Number	928836 MG7
CUSIP Number	928836 MH5
CUSIP Number	928836 MJ1
CUSIP Number	928836 MK8
CUSIP Number	928836 ML6
CUSIP Number	928836 MM4
CUSIP Number	928836 MN2
CUSIP Number	928836 MP7

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Issuer: Volusia County Educational Facilities Authority

Obligated Person: Embry-Riddle Aeronautical University, Inc.

Name of Bond Issue: Educational Facilities Revenue and Revenue Refunding Bonds
(Embry-Riddle Aeronautical University, Inc. Project),
Series 2017

Date of Issuance: August 17, 2017

NOTICE IS HEREBY GIVEN that the Corporation has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement, dated as of August 1, 2017, between the Corporation and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Corporation has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C.,
as Disclosure Dissemination Agent, on
behalf of the Corporation

cc: Obligated Person

EMBRY-RIDDLE
Aeronautical University
FLORIDA | ARIZONA | WORLDWIDE



Printed by: ImageMaster, LLC
www.imagemaster.com